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REPORT

TO THE

COMMITTEE ON THE BUDGET

FROM THE

COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1992

MARCH 11, 1991.—Printed for the use of the Committee on Veterans' Affairs of the House of Representatives

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March 11, 1991

Honorable Leon Panetta
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, DC 20515

Dear Leon:

Enclosed is a copy of our Committee's report to the Budget Committee on proposed levels of spending authority for veterans benefits and services for fiscal year 1992.

Our recommendations include an increase above the amount requested by the Administration for discretionary accounts within our committee's jurisdiction of $677 million. This amount includes $436 million for veterans' medical care, $140 million for medical facility construction, and $43 million for medical research. This amount also includes $22 million to improve claims processing and counseling for veterans seeking benefits, $11 million for the National Cemetery System, and an additional $15 million for Department of Labor discretionary accounts.

We believe it is a fair recommendation. We can certainly justify a higher amount in discretionary spending, but given the fact that there is a $300 billion deficit in the budget, we have proceeded with some caution. If the Budget Committee accepts our recommendations, the delivery of services to veterans could be improved across the board.

With regard to the Administration's legislative proposals, CBO estimates that the net effect of all these proposals is a cut in outlays for veterans programs of $1.4 billion in fiscal year 1992 and $4.5 billion over 5 years. This would be a substantial cut in veterans programs. On top of the $3.5 billion in savings measures our committee was forced to report last year, a cut of this amount would seriously damage our veterans programs.

Therefore, we are recommending that all of the benefit cuts and fee increases proposed by the Administration be rejected.

We would be pleased to discuss this recommendation with you or your staff at your convenience.

Sincerely,

Sonny

G. V. (SONNY) MONTGOMERY
Chairman

BOB STUMP
Ranking Minority Member

Enclosure

BUDGET OVERVIEW AND INTRODUCTION

For fiscal year 1992, the President has recommended the largest budget ever proposed for federal veterans programs including a record level of funding for veterans medical care. The President's proposed budget for the Department of Veterans Affairs requests outlays of $32.8 billion in fiscal year 1992, a 4.7 percent increase above 1991 levels, based on a budget authority request of $33.2 billion. Approximately $13.4 billion of the proposed budget would be spent on medical programs, an increase of more than $960 million over planned 1991 outlays. Medical program outlays would account for almost 41 percent of total expenditures for veterans programs, while benefit payments to individuals would total 54 percent of outlays.

The recommended budget also assumes enactment of Administration proposed cost-savings. These include extension of certain measures enacted as part of the Omnibus Budget Reconciliation Act (OBRA) of 1990 which are scheduled to expire at the end of either fiscal year 1991 or 1992. The net effect of these proposed savings measures according to OMB, together with proposals to increase physician pay and standardize Dependency and Indemnity Compensation (DIC) payments, is a $488 million reduction in veterans expenditures in fiscal year 1992 and expenditure reductions of $4.3 billion over five fiscal years. CBO estimates the net effect is a $1.4 billion reduction in 1992 and $4.5 billion over five years.

How Does the Veterans Budget Compare to the Rest of the Budget?

In 1976, outlays for all Federal programs totalled $371.8 billion, with outlays of $18.4 billion for veterans programs, or 5.0 percent of all outlays. For 1990, outlays for all Federal programs totalled $1.25 trillion, while outlays for veterans programs were $29.1 billion, or 2.3 percent of all outlays. Significant factors which have affected the veterans budget during the past 15 years and which are expected to affect it over the next five years include termination of the Vietnam-era educational assistance program, enactment of the "Veterans' and Survivors' Pension Improvement Act of 1978," creation of the Montgomery GI Bill in 1985, and increased demand for health care from all groups of veterans, especially veterans requiring long-term care.

For fiscal year 1992, the President's government-wide budget proposes total outlays of $1,446 billion, an increase of 2.6 percent over 1991 outlays, and a budget deficit of $281 billion. The President's budget gives priority to spending on selected programs which serve children and provides $86.9 billion, a 9.5 percent increase, for these programs in fiscal year 1992. Other priorities in the President's budget message include an $8.4 billion increase in the Federal investment in research and development, airport and highway mod-

ernization ($2.7 billion increase), and drug abuse and crime prevention ($3.3 billion increase). Outlays for national defense would decline slightly to $295.2 billion (20.4 percent of total outlays), Social Security outlays would increase to $289 billion (20 percent of outlays), while net interest payments would increase to $206 billion (14.3 percent of outlays).

The budget for the Department of Veterans Affairs represents almost 99 percent of budget function 700, Veterans Benefits and Services. The budget for the American Battle Monuments Commission, the Soldiers' and Airmens' Home, and the United States Court of Veterans Appeals comprise the balance of this function.

For analysis purposes, function 700 is composed of two principal categories: funds for mandatory programs, also called entitlement programs, and funds for discretionary programs. During the Vietnam era, funding for mandatory programs, such as veteran education assistance and compensation for service-connected disabilities, increased in real terms and as a percentage of the overall veterans budget. Since 1976, when spending for mandatory programs was about 75 percent of all function 700 spending, outlays for mandatory programs have declined to approximately 55 percent of function 700 spending in fiscal year 1990. This trend of decreasing outlays for mandatory veterans programs is in marked contrast to the trend in spending for other Federal mandatory programs such as Social Security, Medicare, federal and military retirement, and Medicaid, which have doubled in size relative to GNP since the early 1960s. The attached tables prepared by the Congressional Research Service portray the overall decline in the budget for veterans programs relative to the overall Federal budget. (See Appendix A)

Under the President's recommended budget, Federal outlays for function 700, as estimated by OMB, will rise to $33 billion in fiscal year 1992, up from $31.4 billion estimated for 1991 and $29.1 billion for 1990. VA outlays comprise $32.8 billion of this total. As required by law, OMB has estimated the amount of budget authority and outlays which would be necessary to support a "current services" budget, one in which no policy changes are made. For function 700, a "current services" budget would require an additional $300 million in budget authority and outlays above the amount proposed by the President.

For all agencies included in the VA-HUD-Independent Agencies appropriation, the President's recommended budget provides $62.2 billion in discretionary outlays for 1992, a $3.6 billion increase from $58.5 billion in discretionary outlays in 1991. The following table shows the proposed outlay changes for the four largest agencies funded in this appropriation measure. The $1.5 billion outlay increase shown below for VA includes nearly $800 million to fund existing program requirements; thus the proposed increase for discretionary VA programs is approximately $730 million.

Agency	1992 outlays	Increase from 1991	Percent +
National Science Foundation	$2.4 billion	$318 million	15.2
NASA	$14.7 billion	$1.2 billion	9.1
DVA	$32.8 billion	$1.5 billion	4.7
HUD	$24.3 billion	$825 million	3.5

THE 1992 BUDGET REQUEST FOR THE DEPARTMENT OF VETERANS AFFAIRS

General Operating Expenses

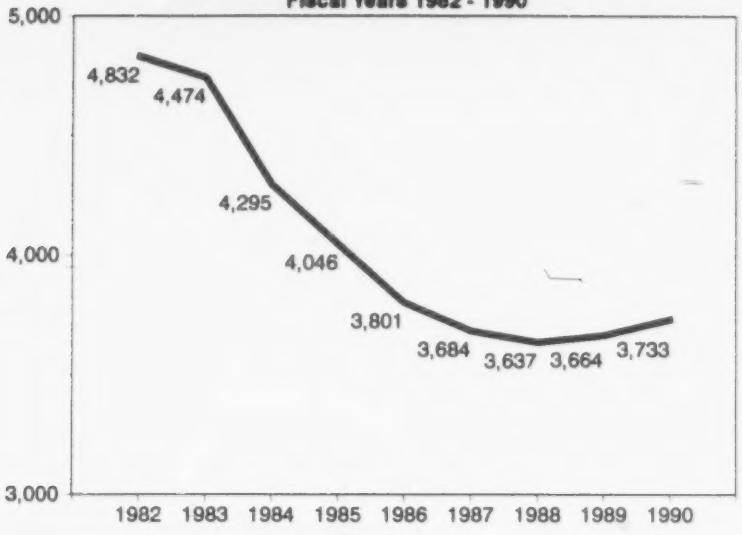
VETERANS BENEFITS ADMINISTRATION

The President's budget proposes 13,140 full-time staff for the Veterans Benefits Administration (VBA), a decline of 300 full-time equivalent employees (FTEE) after the effect of an administrative transfer of personnel from Information Resources Management to VBA is considered. The proposed budget also contains a request for $42 million to support VBA modernization initiatives. This funding, however, would not be available until fiscal year 1993.

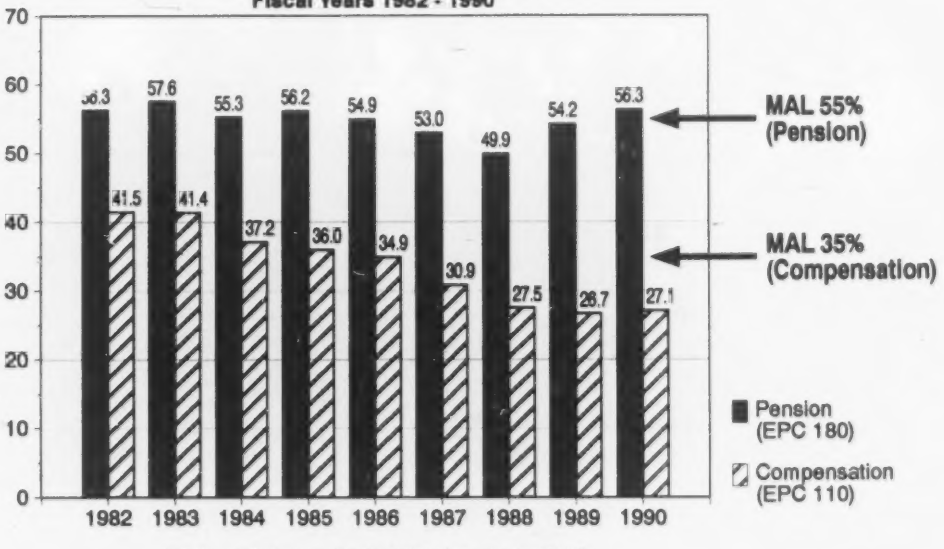
Adjudication.—Inadequate staffing levels continue to play a major role in declines of both quality and timeliness of claims adjudication. As of the end of fiscal year 1990, only 27.1 percent of original compensation claims were processed within 90 days. This is well below VA's minimum acceptable level of 35 percent and far below a level acceptable to claimants. The budget request acknowledges the need for appropriate staffing levels in order to maintain VBA's current performance levels, but again fails to provide staffing levels that will allow VBA to make significant inroads toward timely and accurate claims processing.

An analysis of timeliness statistics over the past eight fiscal years indicates a downward trend in timeliness correlates directly with the severe decline in average employment in VBA adjudication divisions (from 4,832 FTEE in fiscal year 1982 to 3,733 FTEE in fiscal year 1990) over the same time period. The following graphs illustrate the direct correlation between the decline in timeliness of claims processing and reductions in staff which have occurred between fiscal 1982 and fiscal year 1990.

Average Actual Staffing Levels
Compensation, Pension and Education
Fiscal Years 1982 - 1990



Percent of Compensation and Pension Claims Completed within 90 Days
Fiscal Years 1982 - 1990

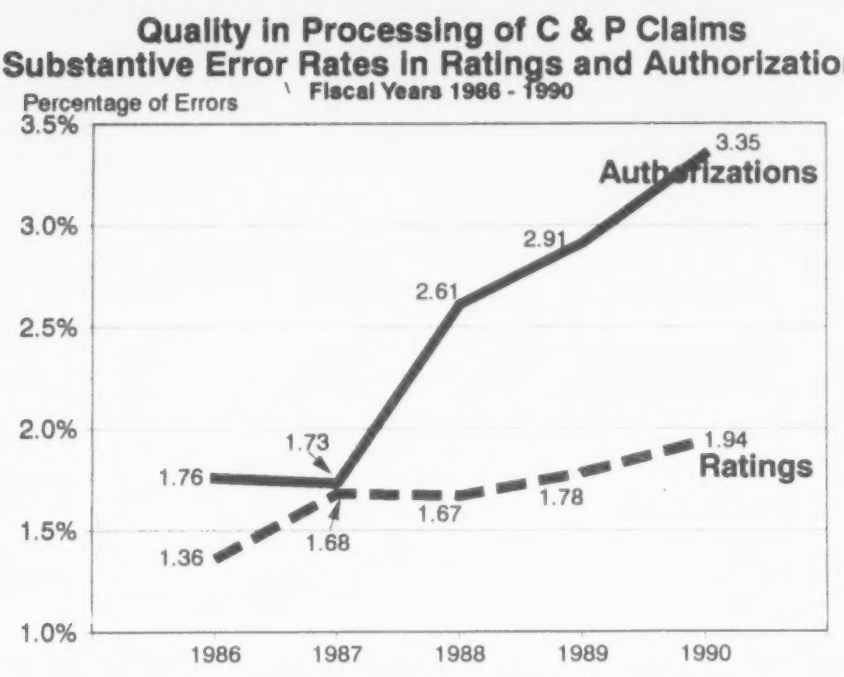


(MAL = Minimum Acceptable Level per DVA)

In addition to the continued decline in timeliness, the quality of adjudication work has also decreased (see graph below). The number of substantive errors in claims authorizations has increased from 1.84 percent at the beginning of fiscal year 1988, to 3.35 percent as of the end of fiscal year 1990. Material errors in authorizations have remained consistently high and as of the end of fiscal year 1990 this error rate was 3.57 percent. Procedural errors in authorizations have also increased from 5.89 percent at the beginning of fiscal year 1988 to 6.13 percent as of the end of fiscal year 1990. The number of substantive errors in rating decisions has also continued to increase, from 1.51 percent at the beginning of fiscal year 1988, to 1.94 percent as of the end of fiscal year 1990. Material errors in ratings have increased from 1.8 percent in fiscal year 1988 to 2.46 percent at the end of fiscal year 1990. Some improvement in the procedural error rate has occurred with the error rate declining from 4.46 percent in early fiscal year 1988 to 3.62 percent at the end of fiscal year 1990.

The Committee requested and the VA-HUD-Independent Agencies Appropriations Subcommittee has approved a $12 million supplemental appropriation for fiscal year 1991 to help improve adjudication performance in the current fiscal year.

The Committee recommends the addition of 167 FTEE and $5 million to assist VBA in meeting its timeliness goals for fiscal year 1992. The Committee notes the addition of 167 FTEE will not result in a significant improvement in timeliness, but would only allow VBA to maintain the status quo. A much larger FTEE increase would be required to effect an appreciable improvement in timeliness.



Information Resources Management.—Funding of $125.9 million and 807 FTEE are requested by the Administration to support Information Resources Management. This request represents an increase of $57 million over the Administration's current estimate for fiscal year 1991 and reflects the proposed transfer of management responsibility for the Hines and Philadelphia Data Processing Centers during fiscal year 1992 and 348 FTEE. The request also includes $42 million to award stage one of the three-stage modernization long-term initiative and $67 million for modernization.

Insurance.—Funds of $12.25 million and 417 FTEE are requested by the Administration to support the VA insurance program in fiscal year 1992. This is a decrease of 5 FTEE and an increase of $230,000 in personal services from fiscal year 1991.

Vocational Rehabilitation and Counseling (VR&C).—Included in the President's budget request is a recommendation to reduce the VR&C Service full-time equivalent employee (FTEE) level from 693 to 669, a reduction of 24 FTEE. Established under Chapter 31, title 38, USC, the program of rehabilitation and counseling provided by VR&C is available to eligible service-disabled veterans. The program includes services and assistance necessary to enable disabled veterans to achieve maximum independence in daily living and, to the maximum extent possible, to become employable and to secure and maintain employment. VR&C also provides counseling services to veterans and members of the Armed Forces applying for education benefits.

Veterans moving through the vocational rehabilitation process go through certain process stages, two of which are referred to as "applicant status" and "employment status". Applicant status is the period of days from the date of receipt of a Chapter 31 application in VA to the date the veteran keeps the first appointment in the VR&C Service. A veteran enters employment status when he or she is determined to be "job ready" and is maintained in this status a minimum of 60 days after becoming employed.

Recent VR&C FTEE increases mandated by Congress appear to have had a slight positive effect on reducing the time disabled veterans are in applicant status awaiting their first interview. The steady increase in time spent in applicant status was somewhat reduced during fiscal year 1990 and the first quarter of fiscal year 1991. It should be kept in mind, however, that a new process of group orientation has also contributed to the decrease in the average applicant status time. Orientation groups do not, however, solve the problem. Veterans may wait fewer days "at the door" because of group appointments, but these veterans will then wait longer for their initial evaluation appointment with a counseling psychologist (CP), during which a determination is made regarding entitlement to vocational rehabilitation services. In order to preserve a reasonable level of service quality, the CP workload is maintained at a relatively constant level, resulting in a delay for veterans who have not yet begun the evaluation process. The following table illustrates staffing, workload, and timeliness trends:

Fiscal Year	1985	1986	1987	1988	1989	1990	1991
FTEE Field Staff	575	541	563	574	569	594	594
Work Load	28,753	28,764	29,976	30,305	32,871	38,174	39,263
Average days in applicant status	78	80	90	96	100	93	89
Average days in employment status	233	251	255	302	285	256	282
Counseling Psychologist Average Work-load	76	22	24	25	27	27	27
VRS Case-manager average workload	170	111	195	203	220	236	264

Although a minor reduction has been shown in the number of average days in applicant status during fiscal year 1990 and the first quarter of fiscal year 1991, 25 of 57 stations exceeded the 93-day average during fiscal year 1990 and 22 exceeded the 89-day average during the first quarter of fiscal year 1991. Additionally, it should be noted the improvement in the employment status average did not continue into the first quarter of fiscal year 1991, and the average vocational rehabilitation specialist (VRS) caseload increased significantly—to 236 in fiscal year 1990 and 264 in the first part of fiscal year 1991. During fiscal year 1990, 29 stations exceeded the average as did 26 stations during the first quarter of fiscal year 1991. A reasonable caseload for a VRS is approximately 150, 120 being the ideal.

It was anticipated additional staff provided VR&C last year would reduce the average VRS caseload to approximately 150. The workload, however, was higher in fiscal year 1990 and the first quarter of fiscal year 1991 than had been estimated, thus eliminating the expected caseload reduction.

In response to the planned reductions in our overall military forces, and the resulting separation of large numbers of active duty military personnel, Section 502 of Public Law 101-510 establishes a program to furnish transition counseling, job-search training, and other information and services to servicemembers who are within 180 days of separation from active duty. VR&C Service will have responsibility for that part of the program known as the Disabled Transition Assistance Program (DTAP), designed to provide the special counseling and assistance needed by separating service personnel with service-connected disabilities. Because of these added responsibilities imposed on VR&C staff, timeliness will certainly deteriorate in fiscal year 1992 if additional FTEE are not provided.

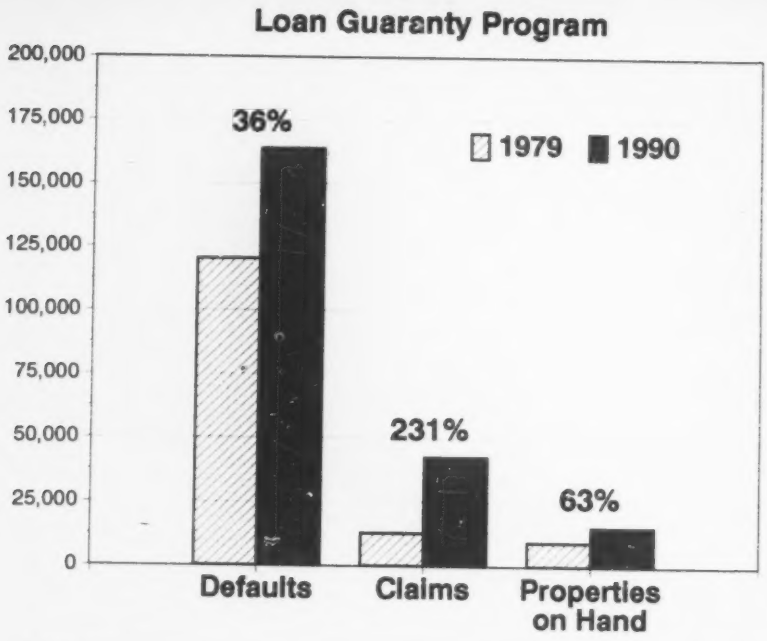
It is important to point out that vocational rehabilitation is a cost-effective program which returns dollars to the Treasury. A Department of Veterans Affairs study found, on average, a $13,700 annual increase between the earnings of a disabled veteran at the time of application for vocational rehabilitation services and following completion of the rehabilitation program. Significantly increased tax revenues and decreasing reliance on public assistance programs clearly result from the increase in earned income following rehabilitation. As pointed out in the Independent Budget for Veterans Affairs, fiscal year 1992, prepared jointly by the American Veterans of WWII, Korea, and Vietnam (AMVETS), Disabled American Veterans (DAV), Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars (VFW), "Vocational rehabilitation is not only good social policy, it is good economic policy." The Independent Budget further notes, ". . . longstanding federal policy . . . not only encourages, but requires, vocational rehabilitation for those individuals most likely to benefit from it. For example, a Social Security DIB [disability insurance benefit] recipient's cash benefits are suspended if he or she does not accept vocational rehabilitation services."

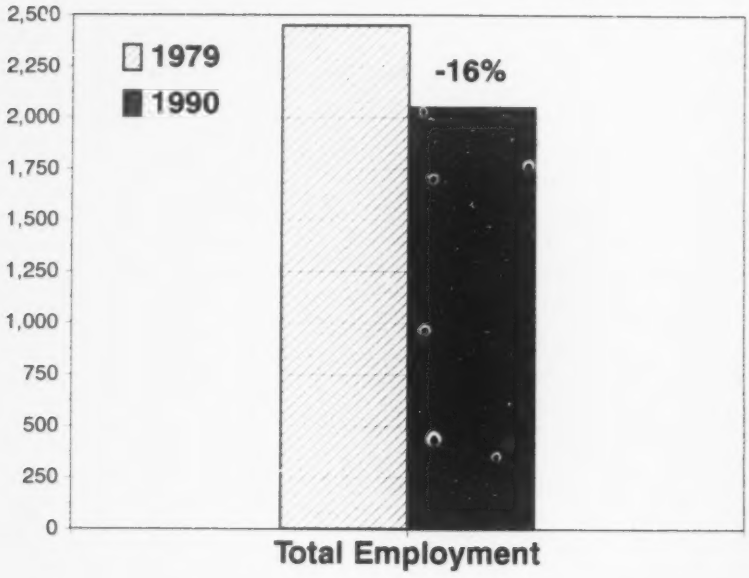
We have a clear national commitment to provide high quality vocational rehabilitation services, on a timely basis, to those whose ability to obtain and maintain employment is impaired as a result of service-connected disabilities. This commitment is not being met, and the Committee expects a decline in timeliness in fiscal year 1992 if current FTEE levels are not increased. Accordingly, the Committee rejects the Administration proposal to reduce the VR&C Service FTEE level and recommends that 150 additional FTEE (70 vocational rehabilitation specialists, 20 counseling psychologists, 20 clerical staff, and 40 DTAP staff) be provided. This staffing would reduce the average VRS caseload to approximately 150 active cases, a level above that for comparable staff in the state/federal rehabilitation program, but nonetheless a major improvement over the current unreasonable caseload. It would also ensure that disabled veterans receive the high quality of services intended by Congress under DTAP.

Loan Guaranty Program.—The budget request proposes an FTEE level of 2,051 to administer this program, a reduction of 114 from fiscal year 1991. As a result of the Federal Credit Reform Act of 1990 (P.L. 101-508), funding for this program will be reimbursed to the General Operating Expenses appropriation by the Loan Guar-

anty Housing appropriation. An additional 989 FTEE in support services will also be reimbursed by the Loan Guaranty Housing appropriation.

In the 11 years from 1979 to 1990, VA housing program employment levels decreased by 285 FTEE, from 2,450 to 2,165, while the number of guaranty claims rose more than 300 percent, from 12,874 to 42,624. During the same period, the number of acquired properties on hand increased from 9,448 to 15,429 and the number of defaults reported increased from 120,284 to 163,959, as indicated in the charts which follow.


Loan Guaranty Program
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
0
36%
231%
63%
1979
1990
Defaults
Claims
Properties on Hand


2,500
2,250
2,000
1,750
1,500
1,250
1,000
750
500
250
0
1979
1990
-16%
Total Employment

Inadequate staffing levels have played a major role in the losses associated with the operation of the Loan Guaranty Program. Over the years, the General Accounting Office has repeatedly testified that intensive and timely servicing of loan defaults reduces ultimate foreclosures and subsequent claims and property management expenses. (See *Housing Programs, Increased Use of Alternatives to Foreclosure Could Reduce VA's Losses, United States General Accounting Office, December 1989*). As an example, VA's report to OMB on the first 12 months (August 1988-July 1989) of the Pilot Servicing Project in Houston, Texas, demonstrates the beneficial impact of additional loan servicing employees. By doubling the number of servicing employees from 10 to 19.55, the Department was able to save $11.2 million in VA avoided claim and acquisition costs through loan servicing activities (i.e.—direct contact with the lender regarding delinquent loans where foreclosure is avoided).

The rapid economic improvement forecast by the Administration in fiscal year 1990 did not materialize and defaults remain high. The Committee believes the VA has a special responsibility to assist all veterans avoid defaults on their mortgages and intensive supplemental servicing should be provided to help veteran borrowers avoid foreclosure. This servicing cannot be accomplished effectively by VA with the funds included in the 1992 budget request.

The fiscal year 1992 budget request also does not consider the impact of recent interest rate reductions on increased loan origination activity. On February 5, 1991, the maximum interest rate on GI loans decreased to 9.0 percent, the lowest interest rate since April 12, 1987. Should the interest rate decrease another one-half percent to 8.5 percent due to continuing efforts by the Federal Reserve to stimulate the economy, there would be 759,000 GI mortgages outstanding with an interest rate 2 or more percent higher than 8.5 percent. Assuming 10 percent of the potential 759,000 loans are refinanced in fiscal year 1991, 76,000 more loans could be guaranteed than estimated in the President's budget. Obviously, this volume of activity would further exacerbate timeliness problems.

Data from the Department of Defense Guard and Reserve Manpower Strengths Statistics indicate that 41 to 42 percent of reserve enlistees have no prior military service. The U.S. presence in the Persian Gulf will create eligibility for 200,000 new veterans and the Department anticipates 5,000 new loans would be guaranteed for these new veterans each year for the next five years.

The Committee recommends restoration of 114 FTEE at a cost of $4.2 million. This would ensure timely processing of new loan originations and increased refinancing activity. It should be noted this could save VA money in the long run if a significant portion of the requested FTEE were used for servicing purposes, since the net result is usually a reduction in foreclosures.

Veterans Services.—The President's recommended funding level for Veterans Services will result in a net reduction of 31 FTEE from the 2,163 FTEE utilized in this program in fiscal year 1991. However, 96 FTEE in fiscal year 1991 and 65 FTEE in fiscal year 1992 are associated with budget reconciliation initiatives in Public Law 101-508. Aside from staffing associated with the reconciliation

initiatives, the FTEE level for ongoing veterans' services programs remains constant at 2,067 from fiscal year 1991 to fiscal year 1992.

Veterans Services operates through VA's 58 regional offices, 18 veterans assistance offices, 172 medical centers, 22 outpatient clinics, and 40 itinerant locations. Veterans, their dependents, and survivors may visit, write, or call toll-free for information, advice, and assistance regarding the availability of benefits under laws administered by VA and other agencies. Additionally, Veterans Services staff provide outreach to potential beneficiaries and conduct estate administration activities and field examinations for beneficiaries whose benefits are paid to a fiduciary. In 1990, this program had 10.3 million public assistance contacts, 8.6 million of which were telephone interviews. In addition, it conducted over 89,907 field examinations, 31,366 fiduciary account audits, and 2,800 school compliance surveys. Fiscal year 1991 estimates anticipate 10.8 million public assistance contacts, while fiscal year 1992 estimates project public assistance contacts numbering only 10.4 million.

Veterans Services staff are an integral component of the Transition Assistance Program (TAP), established under Public Law 101–510. The failure of the Administration budget to include the additional authorized staffing related to TAP will require a diversion of staff from other Veterans Services programs in order to implement this important new outreach program. Telephone service will be particularly affected. Although telephone access is the primary method for public access to information regarding VA programs, telephone service does not currently meet the Department standard which requires that 81 of every 100 persons who attempt to reach the VA by telephone receive service. Fiscal year 1991 estimates anticipate 9.4 million telephone interviews will be conducted while only 8.7 million such interviews are expected in fiscal year 1992. This significant decline in telephone interviews accomplished does not reflect a diminished demand for services. Rather, external factors such as the return of servicemembers called to serve in the Persian Gulf War, the expected downsizing of the Armed Forces, and the current recession will increase telephone requests for service, thus further straining VBA's existing capacity to meet assistance needs. Additionally, the failure of the Administration budget to include the authorized FTEE related to TAP will further deteriorate face-to-face assistance. Already, no veterans benefits counselors are available for direct interviews in at least 24 of the 75 largest metropolitan areas of the nation. The effect of the fiscal year 1992 reduction in personnel recommended by the Administration will clearly result in an increase in the unmet demand for basic assistance in obtaining benefits.

The Department has a legislative mandate to provide outreach services for the ". . . purpose of insuring that all veterans . . . are provided timely and appropriate assistance and to aid and encourage them in applying for and obtaining such benefits and services . . ." Veterans Services is the primary agent for these outreach requirements. Since 1985, hours devoted to outreach and information dissemination have declined significantly, this during a time when the Department was encouraged to increase outreach to homeless veterans, women veterans, former prisoners of war, and survivors

of inservice casualties. Additionally, each regional office is regularly requested to send representatives to military separation centers to assist in the readjustment of our newest veterans, senior citizen centers to assist and advise our aging veterans, their dependents, and survivors, job fairs, homeless shelters, nursing homes, and prisons. Veterans service organizations, community groups, and media representatives frequently ask VA to participate in their activities. Because of continuing staff reductions, the ability of the Department to meet national and local demands for outreach and informational services continues to be severely limited.

The Committee believes information, benefits, and services must be provided on a timely basis to veterans, their dependents, and survivors, and staffing should reflect this policy. Accordingly, the Committee recommends an additional 195 FTEE be provided for Veterans Services. This is the same increase recommended by the Committee last year. As pointed out in the Independent Budget, ". . . Veterans Services needs the 195 additional FTEE recommended by the House VAC just to be able to provide (1) VA's standard for acceptable telephone access; (2) at least one VBC in each large metropolitan area and in each VAMC; and (3) support for the TAP/DTAP programs. Veterans Services also needs funds for additional phone lines, training, equipment, and technologies to aid benefit information dissemination."

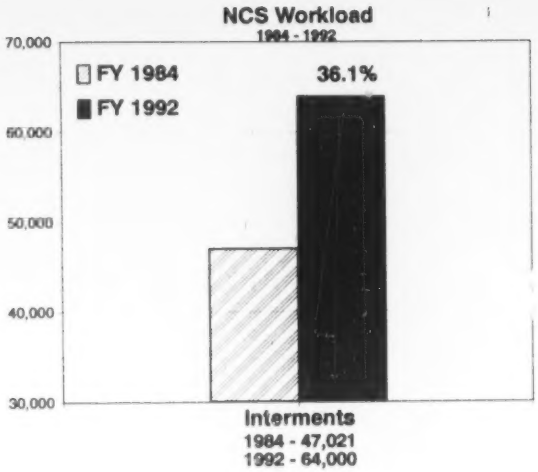
NATIONAL CEMETERY SYSTEM

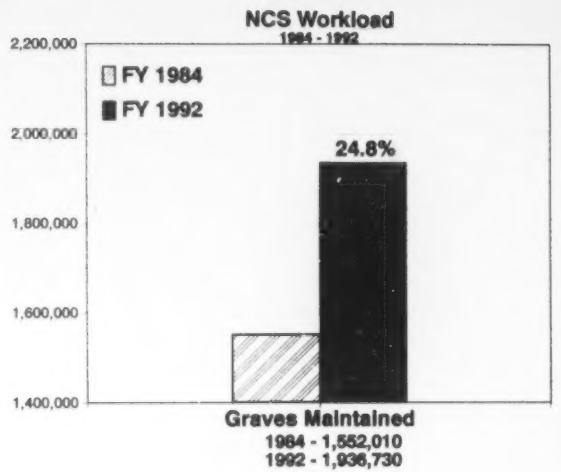
A total of 146 cemeterial installations and activities located in 39 States, the District of Columbia and Puerto Rico, are now included in the National Cemetery System (NCS). Since establishment of the National Cemetery System in the Department of Veterans Affairs in 1973, approximately 782,400 decedents have been interred in national cemeteries and approximately 4.7 million headstones and markers have been furnished to mark graves during the same period.

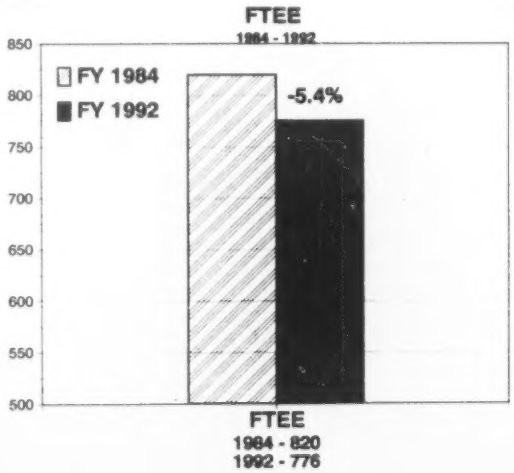
In 1990, remains of 61,372 veterans, active duty personnel and dependents were interred in national cemeteries. In 1992, VA expects 64,000 interments. In fiscal year 1991, a total of 309,000 grave marker applications are expected and 312,700 applications are projected for fiscal year 1992.

For fiscal year 1992, the Administration has requested $57 million and a total of 1,200 FTEE for operation of the National Cemetery System. This is an increase of $3,500,000 and a reduction of 37 FTEE from the 1991 current estimate level. It should be noted that from 1984 to 1992, interment and gravesite maintenance workloads have increased by 36.1 percent and 24.8 percent, respectively, while wage grade FTEE will have declined by 5.4 percent during the same period as displayed by the following charts. The Committee is extremely disappointed with the lack of attention given the National Cemetery System by the Secretary.

According to the Department, escalating costs and budgetary restraints have combined to necessitate the 37 FTEE reduction in 1992, as well as a one year delay (until October, 1992) in the opening of the new San Joaquin Valley National Cemetery.


NCS Workload
1984 - 1992
70,000
60,000
50,000
40,000
30,000
FY 1984
FY 1992
36.1%
Interments
1984 - 47,021
1992 - 64,000


NCS Workload
1984 - 1992
2,200,000
2,000,000
1,800,000
1,600,000
1,400,000
FY 1984
FY 1992
24.8%
Graves Maintained
1984 - 1,552,010
1992 - 1,936,730


FTEE
1984 - 1992
850
800
750
700
650
600
550
500
FY 1984
FY 1992
-5.4%
FTEE
1984 - 820
1992 - 776

The fiscal year 1992 Administration request purports to reflect the costs of a projected January, 1992, pay raise of 4.2 percent, annualization of the 1991 pay raise and locality pay, increases in personnel benefits, within-grade increases, and one additional workday in 1991.

The Administration budget request also reflects lower reimbursements as a result of NCS assuming full funding responsibility for the National Memorial Cemetery of Arizona as of April 1, 1992. In accordance with P.L. 100-322, the costs of operating and maintaining this cemetery during its first three years as part of NCS have been funded entirely by reimbursements from the Compensation and Pensions (C&P) appropriation and the State of Arizona.

The proposed budget includes funds for replacement of some essential NCS operating equipment. This inventory totals over 8,000 pieces of equipment with an estimated value of $21 million. Through an extensive maintenance program, this equipment's longevity has been extended an average of five years beyond its scheduled replacement date. However, in many instances it is no longer economical to maintain this obsolete equipment.

A recent survey sent to national cemetery directors by the Committee elicited the following comments in reference to equipment backlog and maintenance needs.

Calverton, NY National Cemetery—"The cemetery was opened in 1978. Much of the heavy equipment dates from then. Through the expertise of a competent equipment repair section the equipment has been maintained at a serviceable level. However, as this equipment continues to age and replacement is postponed, an eventual crisis situation could occur."

Golden Gate, CA National Cemetery—"Sufficient funds should be made available to replace outdated equipment. It takes more money just to keep an old piece of equipment running than it does to replace. More and more of the cemetery budget goes into just keeping the old stuff running each year."

Riverside, CA National Cemetery—"The majority of equipment on hand is past due for replacement and in need of major repair. Equipment downtime delays interment services and operations, installation of markers and grounds and facilities maintenance. Purchase of additional equipment such as office, interment and grounds maintenance equipment is needed to properly accomplish our mission."

Fort Snelling, MN National Cemetery.—The Director lists specific reductions due to lack of funding which affected the cemetery:

(a) Fertilization—reduced by 50 percent three years ago and reduced to less than 10 percent of required program by fiscal year 1990.

(b) Weed Control—reduced by 25 percent three years ago and is less than 20 percent of required program by fiscal year 1990.

(c)) Rodent Control—reduced by 75 percent three years ago and eliminated last two years.

(d) Headstone Raising and Realignment—reduced 75 percent three years ago and is less than 10 percent of required for last two years.

(e) Headstone Cleaning—reduced 10 percent three years ago and eliminated for last two years.

The proposed fiscal year 1992 budget follows several years of severe constraints on the operating budgets for the national cemeteries. These contraints have led to diminished maintenance of buildings, grounds, and machinery and have produced an $8.3 million backlog for the replacement of major equipment alone. Past budget requests have also not included sufficient funds for watering and fertilizing lawns and plants, causing the appearance of cemeteries to suffer in areas where rainfall is sparse.

The Committee supports the Administration's requests, but recommends the additional $11 million in funds and 179 FTEE contained in the Administration's original budget request.

These monies would be used for the following:

Original Budget Request for FY 1992 Submitted to OMB

[In thousands dollars]

Services—153 FTEE	$ 4,000
Activation of San Joaquin National Cemetery—18 FTEE	2,000
Funds for Arizona—8 FTEE	800
Replacement Equipment deferred	2,000
Maintenance and repair projects deferred	2,300
TOTAL	$ 11,100

As noted previously, the San Joaquin National Cemetery in northern California, originally scheduled to open in October, 1990, is now scheduled to open at the end of calendar year 1992. This delay is due to diversion of funds earmarked for the San Joaquin National Cemetery to other needs such as basic maintenance. The additional funds included in the chart above recommended for replacement equipment are needed for the increased interments projected for fiscal year 1992.

Although the Committee believes the National Cemetery System has been administered in as efficient a manner as possible given its resources, it also believes the additional $11.1 million recommended to fund 156 FTEE and other requirements is absolutely necessary to maintain efficient operation. It should be noted that although the Department's original budget request asked for only $11 million, in reality it would take approximately $25 million to fully fund the operation of the National Cemetery System in a manner befitting the nation's commitment to our veterans.

STAFF OFFICES (CENTRAL OFFICE) AND BOARD OF VETERANS APPEALS

For fiscal year 1992, funding of $217.6 million, a decrease of $14.7 million and a reduction of 527 FTEE from the fiscal year 1991 current estimate, is requested for General Administration, which includes the Secretary's Office and all Department staff except the

Office of Acquisition and Material Management, the Office of Inspector General, and the Office of Facilities. The requested funding would provide 2,981 FTEE and the following changes from 1991 employment levels are proposed:

	FTEE Change
Assistant Secretary for Finance and Planning	+ 442
Assistant Secretary for Information Resources Management	− 1,004
Assistant Secretary for Veterans Liaison and Program Coordination	None
Assistant Secretary for Human Resources and Administration	+ 97
Assistant Secretary for Congressional and Public Affairs	− 3
General Counsel	− 30
Board of Veterans Appeals	− 27

The request reflects the proposed transfer of 356 FTEE and corresponding budgetary resources from Information Resources Management (IRM) to the Veterans Benefits Administration (VBA) for transfer of the Hines and Philadelphia Data Processing Centers (DPCs). It also reflects a proposed transfer of 534 FTEE and 108 FTEE with associated resources from IRM to Finance and Planning and Human Resources and Administration, respectively, for operational oversight of the Austin and Washington DPCs.

BOARD OF VETERANS APPEALS

The Administration budget requests $21.9 million and an average employment level of 400 FTEE to support the operation of the Board of Veterans Appeals (BVA). This request is 27 FTEE below the 1991 level and 6 FTEE under the level of employment for fiscal year 1990.

As a direct result of the decrease in FTEE proposed for fiscal year 1992, average BVA response time would increase from 150 days to 179. This decrease in timeliness is based on a level of 45,000 appeals received. During fiscal year 1990, the Board received 43,808 appeals in addition to 22,198 appeals which were pending at the beginning of the fiscal year. Some 45,700 appeals were decided by the Board resulting in pending appeals of 18,750 at the beginning of fiscal year 1991. According to the Board, the number of appeals actually received during this fiscal year is running slightly ahead of the number projected (as of January, 1991, 15,262 appeals had been received versus a projected level of 14,330). It is difficult to project whether more than 45,000 new appeals will be received during fiscal year 1992. Nonetheless, the reduction in FTEE could only result in a decline in the Board's ability to decide appeals on a timely basis.

The Committee recommends the addition of 27 FTEE and $1 million to assist the Board in meeting its timeliness goals during fiscal year 1992.

VETERANS HEALTH SERVICES AND RESEARCH ADMINISTRATION (VHS & RA)

MEDICAL CARE

Overview.—The President's proposed medical care budget of $13.287 billion requests an increase of 7.9 percent in funding over the prior fiscal year for the second consecutive year. The magnitude of this proposed $976 million increase is tempered by the realization that pay raises, inflation, and other fixed costs consume most of the proposed increase. Ultimately, however, the impact of a decade in which medical budgets did not provide VA sufficient monies to keep pace with increasing costs, sets the framework for assessing the real adequacy of this budget proposal.

The Administration's proposed VA budget for fiscal year 1992 is founded on one principal assertion—"the requested resources will allow VA to provide health care to the projected number of veterans expected to apply for care on a system-wide basis." Testimony presented during two days of Committee budget hearings, the results of prior Committee surveys, and recent analyses by medical center officials all rebut this central Administration claim.

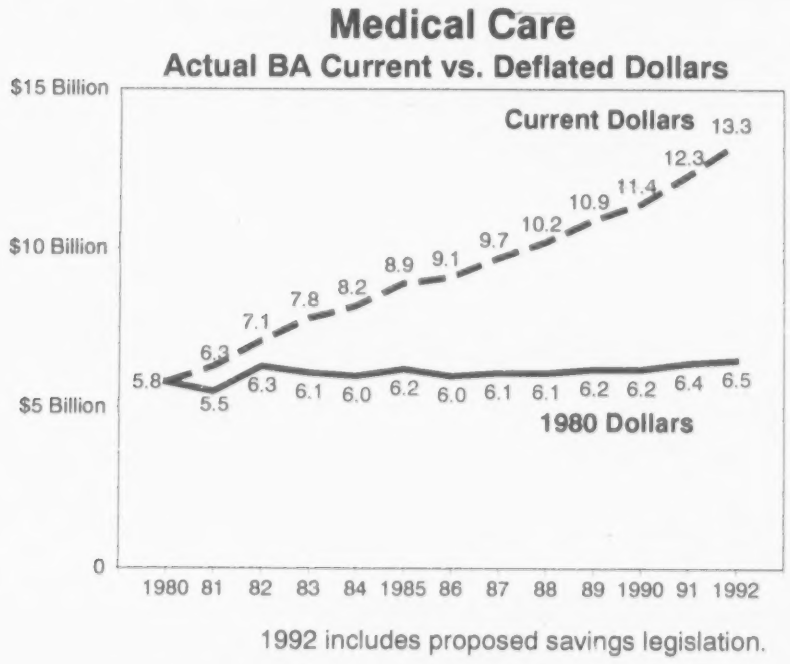
Years of VA health care system underfunding have been documented in Committee hearings held during the 100th and 101st Congresses. Chronic underfunding, as described in our report to the Committee on the Budget for fiscal year 1991, has taken a severe toll on the VA health care system infrastructure. During the late 1980's, VA medical facilities maintained their operating budgets by desperate redirection of monies budgeted for equipment and maintenance. VA's central office managers have proscribed further "reprogramming" of these accounts.

Providing mandated care to a veteran population which becomes older and sicker by the year with a budget that has not increased in real terms has meant increasing delays in access to care for patients; eliminating critical, but costly drugs from hospital formularies; closing beds; and rationing of care—both routine and lifesaving. As described courageously by one of VA's dedicated senior clinicians during a recent Committee hearing:

> "You extend things out. You make choices . . . Mr. Congressman, we ration care. We create queues. We try . . . the best to not erode quality and not hurt anyone."

To its credit, VA has signalled its concern about maintaining the quality of care it provides. The capacity to maintain quality has eroded dangerously and directly, however, due to VA's inability to replace needed medical equipment. One of the most important issues raised by the budget is the sustained and apparently growing VA backlog of replacement equipment needs. A former VA Associate Deputy Chief Medical Director, now dean of a prestigious medical school, testified to a VA equipment backlog exceeding $650 million. This figure was the result of a validation that he oversaw during fiscal year 1990, his last year with the Department. For its part, the Administration has refrained from commenting on consistent testimony that VA's equipment backlog increased by at least $100 million during the past year and has instead asserted its intention to undertake another "validation".

In view of the grave impact which prior years of underfunding have had on VA's present capabilities, meaningful consideration of the budget submission must take the past into account. As the chart below reflects, VA's budget for medical care in "real" dollars (budget authority corrected for medical inflation and payroll costs) has been virtually straightlined over a decade. During this period, however, Congress has expanded eligibility for VA medical care (Public Laws 97-37, 97-72, 99-272, 99-576, 100-322), mandated the establishment of new treatment facilities, and called for establishing altogether new modes of care ranging from rehabilitation and care for the homeless to specialized treatment of post-traumatic stress disorder.



NOTE: Currrent dollars are deflated using the Medical CPI for non-payroll costs and coverting the value of 1980-1990 actual and 1991-1992 appropriated employment to 1980 dollars.

The Administration budget submission avoids discussion of prior years of underfunding and the consequent erosion of the VA health care system. In reality, the proposed $976 million VA increase evaporates before reaching the veteran. More than $860 million (88 percent) of the proposed increase is targeted to payroll for existing employees ($581 million) and inflation items ($279.5 million).

Significantly, the Administration's projected inflation factor, a composite 6.1 percent, fails to account for substantial new costs which the VA will face in fiscal year 1992. VA officials acknowledge, for example, the budget submission does not account for a projected $150 million increase in pharmaceutical costs in fiscal

year 1992 attributable to the Medicaid Prudent Pharmaceutical Procurement Act. Senate sponsors of this legislation have responded to this Committee's concerns by acknowledging the unintended price increases VA is incurring because of the Act, but, nevertheless, they have expressed opposition to amending the Act to protect VA. Thus, with 88 percent of the proposed $976 million increase committed to fund certain uncontrollable expenses, the remainder of approximately $116 million will fall far short of VA's needs for even maintaining the current level of services.

The budget—while appearing to provide VA a net $116 million increase above inflation—actually reduces available VA resources by an even greater amount. The Administration assigns "shadow" savings and surgically excises dollars in the following areas:

– $20.2 million and 500 FTEE arbitrarily taken from the medical care account based on the proposed transfer of the Medical Care Cost Recovery Administration to a new fund. This wholly unwarranted action ignores the previous diversion of personnel and supporting funds for this administrative function from the overburdened medical care account. With a new account for this function being established outside of medical care, and with collections to be used to fund administrative costs, logic would dictate completely restoring these monies and staff to medical care, not diminishing the base permanently.

– $70 million and 1178 FTEE taken from medical care based on the erroneous notion inpatient care savings of this magnitude will result if VA will "emphasize" the use of ambulatory treatment in lieu of inpatient care. The Administration's assertion that already overextended outpatient programs will be able to treat more patients if hospital staff and dollars are reduced strains the limits of credulity. Budget hearing testimony persuasively highlighted the phantom nature of these "savings" and the Administration has provided no rationale for this reduction of staff.

– $28.3 million decrease for facility activations based on estimated "slippages" of 22 percent. Testimony indicates that planning for "slippages" of this magnitude results in expensive new facilities remaining empty and inaccessible to veterans.

– $10 million based on speculative savings attributable to future regulations which would require private physicians to accept VA payments based on Medicare billing rates. Such regulations have not been developed and would be of doubtful enforceability without enabling legislation. Noting VA's more than three-year effort in association with the Department of Health and Human Services to promulgate cost-containment regulations applicable to private hospital care, the budgeting of these savings for fiscal year 1992 is also unrealistic.

In essence, the proposed budget would further jeopardize VA health care system operations—diminishing the health care funding base by $128.5 million and 1678 FTEE—without a credible rationale for any of the proposed reductions.

The assertion that VA medical care would gain increased funding under the fiscal year 1992 budget is misleading and inaccurate.

charge an exorbitant price for this drug, some $4,200 per patient per year. This drug holds the promise of restoring a significant percentage of intractable chronic schizophrenia patients to a level of functioning which would permit hospital discharge. In addition to the very substantial procurement cost of this drug, there are secondary costs associated with shifting those patients who respond optimally to outpatient care to be maintained indefinitely on the once weekly regimen of follow-up care necessary to insure that potentially fatal side effects associated with this drug do not occur.

In essence, there remain many questions surrounding the costs to VA of initiating Clozaril therapy. In view of the remaining uncertainties, we recommend that such costs also be addressed through supplemental appropriations.

Outpatient Care Services.—Midway through fiscal year 1990, the VA exhausted its ability to stretch existing resources to meet then current medical care needs and due to inadequate funding, the Department was forced to stop providing both inpatient and outpatient treatment to nearly all eligible Category B and C veterans. At the start of fiscal year 1991, the Department was able to resume the treatment of a small percentage of these veterans, but for many Category B and C veterans care has been limited to emergency situations.

VA rationing of care comes at a time when there is a national trend to shift medical care delivery from an inpatient to an ambulatory basis, a trend which has been recognized by the proposed Department budget. The proposed budget, however, assumes VA will be able to provide more ambulatory care and simply absorb, within the confines of an appropriation which is already less than current services, this shift and the subsequent increase in workload. Given the inadequacy of the proposed budget, it is not realistic to expect VA to increase its outpatient workload and maintain its current inpatient workload levels. Likewise, it is also not realistic to expect the Department to restore services which VA had previously provided to Category B and C veterans.

The Committee has long supported VA efforts to provide more care on an outpatient basis, a shift which tends to foster a more productive utilization of resources. In fact, this shift in workload was anticipated by the Committee when it approved H.R. 901, which revised outpatient care eligibility to allow more veterans to be treated on an outpatient basis, among other provisions.

Additional dollars and staffing are needed to reduce unacceptably long waits for clinic visits and to make it possible for VA to provide more outpatient care. Such a change will ultimately make VA a more efficient health care provider and assure that care is provided at a medically appropriate level. However, the VA cannot absorb this shift within existing resources. As noted previously, our Committee survey showed VA medical centers were experiencing severe constraints in their ability to deliver outpatient care. The Committee is encouraged by VA's plans to revise its resource allocation methodology, the system of distributing monies to medical facilities, because the current system has unfortunately had the effect of creating fiscal disincentives to shift workload to outpatient care.

The Committee understands that efforts to improve VA's overburdened outpatient delivery system can only occur over a period of several fiscal years. The Committee recommends adding $50 million and 652 FTEE as a step toward achieving this goal. The provision of these monies should be linked, however, to VHS&RA establishment of tracking and reporting mechanisms (by types of clinics, e.g., medicine, psychiatry, etc.) to provide Congress documentation on workload gains, reductions in waiting times, and other indices to assist in planning and budgeting for the outyears.

Special Programs for Care of Aging Veterans.—In presenting its budget for fiscal year 1992, the Department identified care of aging veterans as among its high priorities. The Committee is gratified that the budget reflects efforts to convert hospital beds to long-term care beds. But aside from this initiative, the budget identifies only $2.5 million for other specialized programs for aging veterans. For example, the budget proposes an expansion of the number of geriatric evaluation and management (GEM) units, but unrealistically provides no new funding for this multi-disciplinary staffing "initiative". These units conduct detailed assessments of older patients' medical, functional, psychological, and environmental conditions, which assist in both treatment and discharge planning. The VA presently has GEM units at 93 facilities, with units at another 15 facilities scheduled to come on line during fiscal year 1991. The Committee recognizes the benefits of such multi-disciplinary patient evaluation, but believes it must be funded directly rather than by "robbing" other hospital operating accounts. Thus, the Committee recommends the addition of $2.6 million and 34 FTEE to expand and enhance the GEM program at VA medical centers. This addition will support 20 new programs (for a total of 128 in fiscal year 1992) and permit program enhancement at four others.

In the important area of non-institutional care, the proposed VA budget provides no new funding. For perhaps the most important of these programs, hospital-based home care (HBHC), budget documents acknowledge "demand is high" at facilities which still do not have a HBHC unit. HBHC provides needed primary care to chronically ill patients in their homes through interdisciplinary treatment teams. VA currently operates 72 such units; clearly more are needed to help patients remain in their homes and avoid costly institutionalization. Accordingly, the Committee recommends additional funding of $9 million and 150 FTEE to enable the Department to add HBHC teams to 24 medical centers.

Decentralized Hospital Computer Program.—While overall funding for the Decentralized Hospital Computer Program (DHCP) was increased $4 million in the proposed VA fiscal year 1992 budget, DHCP computer hardware funding was reduced by almost $10 million. This decrease follows a proposed reduction of $31 million in DHCP funds in the fiscal year 1991 budget request. The Committee has received testimony that VA experts have developed valuable clinical software programs, but VA lacks sufficient computer equipment to bring these programming successes to the clinician and the patient.

DHCP is an important and highly visible program. Studies performed by the General Accounting Office (GAO), the VA Inspector

General (IG), and the Congressional Office of Technology Assessment (OTA) have been consistent in their observations that DHCP has widespread user acceptance and has become vital to hospital operations. The Department's budget documents also describe DHCP as "essential for effective management of a health care delivery system."

The Committee recognizes the important role DHCP plays in both timeliness and quality of patient care. Advancements in DHCP can help clinicians streamline the process by which patient care is delivered. VA is unable to apply this capability, however, because it lacks needed funding. In essence, VA has developed state of the art systems to automate critical clinical and quality assurance functions, but the budget's failure to fund needed computer equipment will keep these new developments "on the shelf" rather than in the hospital wards where they can improve patient care and make the delivery of care more efficient. An example of this new clinical capability is a laser-based optical patient card. This technology allows the storage of large amounts of digitized medical data on an optical card the size of a credit card. This stored data would include the most recent medical treatment received by the veteran as well as the patient's medical history information. These cards could also hold optical images of recent x-rays, CAT scans, and other such data. With instant access to vital patient information, the time required by VA to provide patient care could be reduced and the frequency with which duplicative diagnostic studies are performed could also be reduced.

The Committee views continuing advances in DHCP and the acquisition of computer equipment needed to improve clinical care as important investments. The Committee, therefore, recommends restoration of $10 million for computer hardware as well as an additional $52 million and 118 FTEE to enable the Department to bring some of the latest developments in clinical automation to VA patients.

Post-traumatic Stress Disorder.—Post-traumatic Stress Disorder (PTSD) treatment remains a compelling VA priority, as 15.2 percent of male Vietnam theatre veterans reportedly experience PTSD. VA PTSD treatment capacity has grown and now includes 18 operational specialized inpatient units, five planned specialized inpatient units, and 44 PTSD clinical teams.

The VA budget, however, provides no funding for PTSD program expansion despite the well-documented need for specialized treatment capacity and extensive testimony presented at Committee hearings regarding long waiting lists for admission to programs VA has established. In fact, VA is experiencing severe constraints in inpatient PTSD treatment and has been forced to deny needed PTSD inpatient care to service-connected veterans due to a lack of both resources and personnel. VA's special PTSD advisory committee, as recently as January 31, 1991, continued to recommend increasing the numbers and distribution of specialized PTSD inpatient units and system-wide use of PTSD clinical teams. The advisory committee has also recognized the need for funding programs to treat PTSD cases which are complicated by substance abuse problems.

Our Committee recommends the addition of $7.4 million and 137 FTEE to the budget for fiscal year 1992 to provide new specialized PTSD inpatient and outpatient programs. This additional funding will support five new PTSD inpatient units, augment staffing at existing units, and provide resources for 10 new outpatient clinical teams and five dual diagnosis (substance abuse and PTSD) outpatient programs.

Programs to Assist Homeless Veterans.—VA's fiscal year 1992 budget request includes $16.537 million for the Department's Homeless Chronically Mentally Ill (HCMI) Program and the same dollar level for the Domiciliary Care Program for Homeless Veterans (DCHV). Both funding levels provide an increase of $787,000 compared to fiscal year 1991. This increase, however, provides only the amount needed to keep pace with inflation. (We note also that the McKinney Act authorizes appropriations of up to $33 million for these two programs. Of this amount, $6.5 million is for the homeless domiciliary program and $16.5 million is for the community-based residential program for chronically, mentally ill homeless vets.) While these programs have achieved a significant impact on outreach and treatment of homeless veterans since beginning in 1987, there remain major communities with large numbers of homeless veterans in which VA has not been able to establish one of these excellent programs or the program's scope is insufficient. In Boston, for example, a committed team has been working with the homeless, but only 2.2 FTEE provide the stressful and essential outreach which brings sick, mentally ill, and other homeless into the treatment programs which serve them. While many different VA programs serve the homeless veteran, the difficult task of coaxing often deeply troubled individuals into treatment programs makes outreach to homeless veterans a critically important task. The HCMI program, which has included an outreach component since its inception, has been particularly successful because its structure builds on the capabilities and strengths of the local communities in which it is located. The program, at its best, represents a highly beneficial partnership between VA and the local community.

Recognizing the needs of the homeless and the strengths of the HCMI program as a vehicle to serve these veterans, the Committee recommends adding resources to permit establishing HCMI programs in four more cities and providing additional outreach staff at other HCMI sites. Accordingly, we recommend additional funding of $3.25 million and 56 FTEE for the HCMI program.

The Committee welcomes the role communities play in providing assistance to homeless veterans and believes it may be possible to stimulate more effective provision of services to the homeless by encouraging cost-sharing between VA and the community. To that end, legislation authorizing VA to establish a modest pilot program under which the Department may enter into a cost-sharing arrangement with a public or private entity to provide services to homeless veterans, including mobile support outreach, medical care, and transitional housing, will be proposed. The Committee recommends the addition of $300,000 to fund this pilot program.

Blind Rehabilitation Service.—The Committee has received compelling testimony regarding the Department's inability to operate all authorized beds in VA blind rehabilitation centers because of staffing and funding shortages. Reports that 1,175 blind veterans remain on waiting lists for admission to VA's eight blind rehabilitation programs are deeply disturbing to the Committee. Similar problems are also encountered by VA's blind rehabilitation clinics. Accordingly, the Committee recommends the addition of $1.85 million and 37 FTEE to provide staffing needed to bring these programs to appropriate operational levels and to substantially reduce an altogether unacceptable waiting list for these needed services.

Administration Legislative Proposals.—The proposed budget for fiscal year 1992 includes a number of constructive legislative proposals.

The budget takes an important step toward solving pressing recruitment and retention problems by recommending addition of $41.49 million to establish a new "special pay" program, prescribed in House-passed H.R. 598, for VA physicians and dentists. A more flexible pay system will help obviate the need for costly contracting for health care services and help assure quality care. The proposed funding is substantially less, however, than the $67 million cost for fiscal year 1992 estimated by the Congressional Budget Office. If the proposed shortfall in funding were accepted, 38 percent of the cost of this new program would effectively be borne by veterans, the ultimate victims of unfunded budget "add-on's," in the form of closed beds, waiting lists, and deferred replacement of needed medical equipment. We recommend, accordingly, the addition of $25.51 million to fund the full costs of special pay.

Another Administration legislative proposal would authorize expenditures to renovate space in VA facilities for the establishment of child care centers. The Committee views the "investment" of $1.2 million for these purposes as a valuable recruitment and retention tool and supports this proposal.

The budget also proposes savings of $6.4 million associated with the enactment of legislation which would permit VA to procure hospital textiles through competitive procedures instead of through the General Services Administration. The Committee also supports this proposal.

The budget additionally recommends another series of cost-savings proposals. These proposals would:

—permanently impose co-payment requirements established for one year by the Omnibus Budget Reconciliation Act of 1990;

—extend co-payment requirements to service-connected veterans who are not indigent, being treated for a non-service-related condition, and who are rated less than 50 percent service-connected disabled; and

—eliminate for veterans living within a fifty mile radius of a VA facility all assistance with the cost of VA-related transportation.

With the expected universal belt-tightening last year, veterans were asked to absorb spending reductions totalling $621 million in

fiscal year 1991 and $3.6 billion over five years. Requiring additional budget reductions from veterans—for the sake of achieving savings—raises profound questions of equity. Are veterans being treated fairly? In the strong words of those who bear the scars of war, we are not keeping faith with those sent into harm's way when further savings at veterans' expense are considered.

By way of illustration, savings of $63 million associated with "reform" of VA's beneficiary travel program has been proposed. The "reform", however, would have the effect of denying all assistance to veterans residing within 50 miles of a VA medical facility regardless of the cost of travel to such facility, its frequency, or the need for ambulance or other special modes of travel, while full assistance would be provided for even routine travel for those residing 51 miles. The impact of this proposal will be clearly apparent to VA dialysis patients who must travel to VA facilities as many as three times weekly and to those asked to bear ambulance costs. The Committee cannot support the change proposed in beneficiary travel. Other savings proposals may be considered at a later time in connection with the Committee's study of eligibility reform.

Committee Legislative Proposals.—Under existing law, VA is authorized to furnish monetary grants to eligible veterans for medically needed home improvements and structural improvements to assure continued treatment or access to the home or to essential lavatory and sanitary facilities. The grant authority, established in 1976, provides for lifetime grant awards of up to $600 for a nonservice-connected veteran and $2500 for a service-connected veteran. These grants can be used for such purposes as installing grip bars, constructing wheelchair ramps, and widening doors. The costs associated with such home modifications have, of course, increased, while the amount of assistance authorized has not. Nonservice-connected veterans have been particularly ill-served by not increasing the grant amount and, based on VA's program administration experience, an increase in this grant amount of approximately $600 is believed needed to meet veterans' needs. In establishing home improvement/structural alteration benefits, Congress sought to avoid requiring a spinal-cord injured veteran to remain institutionalized because of barriers within the veteran's home. Failure to increase the grant limitations could well frustrate this purpose, particularly for the nonservice-connected veteran. The Committee will develop legislation to remedy this problem by increasing the grant limitations by $600 for nonservice-connected veterans and $800 for service-connected veterans. The cost of such legislation is expected to be approximately $1 million.

MEDICAL AND PROSTHETIC RESEARCH

Although the budget proposes to maintain research funding at the current level of $216.8 million, this program will substantially shrink without additional support, in spite of the identification of research and development as a priority by the President. The Committee is distressed with the lack of attention given by top management to call aspects of the Department's research programs.

Research is a critical component of high quality medical care. In addition to providing an extraordinary contribution to new knowl-

edge, a quality VA research program can also be an important tool for the recruitment and retention of physicians and other health care staff. By attracting new research oriented health care professionals, VA is able to improve the caliber of direct patient care which is delivered. According to testimony presented to the Committee, the value of the VA research program far exceeds the acquisition of new knowledge. For example, VA research support can have a profound effect on the ability of the Department to recruit and retain high quality health care professionals, particularly physicians, by partially offsetting the substantially lower salaries offered by the Department. Unfortunately, the VA research budget has not been given the support received by other federal research programs. While the budget for the National Institutes of Health has increased 127 percent in the last ten years, the VA research budget has been increased only 54 percent. The Committee expects the Secretary to devote more attention to research activity in the future.

In making its recommendations, the Committee takes particular note of the January, 1991, report to the Secretary by his "blue ribbon" Advisory Committee for Health Research Policy. The advisory committee review of the entire VA research program included consideration of a Secretarial request that the advisory committee recommend a budget for VA research for fiscal year 1992. This Committee approves of the budgetary goal set by the Secretary's panel and proposes a substantial increase in research funding as a step toward that goal. We propose an increase of $43.2 million above the Administration's request (for a total of $260 million and 652 additional FTEE) for fiscal year 1992.

The Committee views this increase as an extraordinary investment—both in research payback and by assisting VA efforts to recruit and retain outstanding clinicians. The Committee-recommended increase would reverse the precipitously declining award rate, the likelihood that a research proposal judged to be meritorious will actually be funded. Under the Administration's inadequate budget proposal, the award rate would decline from 40 percent to only 25 percent. In fact, this Committee has learned the award rate could fall even further, to 15 percent, under the Administration's proposed budget.

In proposing a $43 million increase, the Committee builds on another of the "blue ribbon" panel's recommendations. While acknowledging the outstanding nature of VA's research program, the advisory committee recommended VA incorporate more "targeting" of priorities with new dollars. The panel proposed identification of research priorities and setting aside funds, accordingly, as part of an effort to rebuild the level of VA research to meet current needs. Our recommendation for increased research funding would thus require VA to set aside $6 millon of such new monies for special initiatives in the areas of mental illness; alcohol and substance abuse; and neurologic, psychiatric, and geriatric rehabilitation, all areas identified by the blue ribbon panel. To maximize the impact of these monies, the Committee would further require that research solicitations for this special funding be limited to joint ventures between VA and an affiliated medical school or re-

search center, and that the process of awarding grants from among competing proposals take into account the extent of the contribution to VA clinical care which the proposed "sharing partner" would make. The Committee would leave to the ingenuity of clinician researchers the mechanisms or structures through which such sharing initiatives might be undertaken. We envision, however, this $6 million would be "seed money" which would stimulate medical schools to contribute funding or other means of support. In joining forces with VA researchers, such institutions can strengthen VA clinical and research programs. We believe this $6 million would be an important investment yielding dividends for research, education, and clinical care. The Committee would require VA to report to Congress both on the design of the special solicitation process and the specific projects which are awarded grant support.

Construction.—For major construction, the Department has requested $450 million for fiscal year 1992, a decrease of $130 million and approximately 22 percent from fiscal year 1991. The $450 million Administration request is also approximately $250 million below the amount originally requested by the Department for fiscal year 1992. With compelling need for both new and replacement facilities confronting VA in several areas, the proposed reduction in budget commitment for major construction in fiscal year 1992 and the proposed future "straightlining" of major construction dollars at the $450 million level through fiscal year 1996 is very troublesome.

More than one-half of VA facilities are over 30 years old and an increasing number of facilities still in use have exceeded projected useful plant life. Changes in the practice of medicine, the development of new equipment for diagnosis and treatment, and the imperative to maintain high quality care justify a reasonable schedule of capital modernization, clinical improvements and patient safety modifications. As reported in the Committee's budget recommendations for fiscal year 1991, VA's Capital Facilities Study documented 69 of 132 VA medical facilities built before 1970 received only a fair, poor, or failing physical condition rating. According to VA, these ratings indicate major construction projects affecting major physical systems will be required within the next five years.

The Committee does not believe the Department can make needed repairs in facilities and continue to fund new construction projects at the severely reduced level of funding for major construction proposed for fiscal year 1992. Therefore, the Committee recommends the addition of $139.9 million to the major construction account to be added as follows:

Location	Project	Amount
Marion, IL	Clinical & Outpatient Addition	$ 30.4 million
Palo Alto, CA	Seismic Corrections & Replacement Psychiatric Bldg.	31.7 million
Philadelphia, PA	Clinical Improvement Program (4th phase)	22.7 million
Reno, NV	Facility Modernization Design Funding	10.0 million
Temple, TX	Bed Replacement Bldg.	45.1 million
Total		$139.9 million

The Committee notes the minor construction account was increased by $65 million for a funding level of $195 million for fiscal year 1992. The Committee believes this is a positive step and recommends no further increase in the level of funding for the minor construction account.

As stated previously, it is neither realistic nor prudent for the VA to expend the entire amount of its major construction budget on a handful of projects. Too many facilities around the system are in need of repairs and modernizations for the VA not to direct some of its major construction funding for these purposes. Along these lines, the VA has decided to "re-validate" certain major construction projects that had been previously identified as priorities. The purpose of these "re-validations" is to determine both the current and future need for these projects. The committee believes that the objectives of the "re-validations" are laudable, especially in these times of limited resources. However, the committee urges that special attention be given to the Gainesville, Florida project. This project was planned as a 290-bed psychiatric facility and has been in the "pipeline" for twenty years. Design money for this project was appropriated in fiscal year 1990, but has not been expended pending the outcome of the "re-validation". It is the committee's desire that the Department resolve this matter as expeditiously as possible.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES (MAMOE)

Congress traditionally segregates the funding it provides for maintenance and operation of VA health care facilities from monies appropriated for the administration of VA health care, construction, supply and research activities. While the medical care budget has essentially been straightlined in recent years (has not kept pace with either inflation, salary increases, or Congressional programmatic mandates), the (MAMOE) appropriation and associated staffing have plummeted during this period. For fiscal year 1992, MAMOE would further decrease by $955,000 to $40.79 million according to the Administration's proposal.

For over a decade, MAMOE funding and staffing have declined while Congress has steadily increased the Chief Medical Director's functional responsibilities. The President's proposed MAMOE budget for fiscal year 1992 would continue this trend. Future projections contained in the President's proposed fiscal year 1992 budget highlight the continuation of this pattern with average employment declining from 521 in fiscal year 1992 to 429 in fiscal year 1996.

The Administration's assertion that the fiscal year 1992 budget proposal, "provides for full current services funding of the recurring Medical Administration program" masks both the insufficiency of those current services and ever-expanding obligations imposed on that program. On its face, the budget proposal appears reasonable enough. It calls for a decline on the basis of "non-recurring needs"—the scheduled completion of the work of the Commission on the Future Structure of Veterans Health Care. Thus, after "adjusting" for the 1991 appropriation of $2.8 million for the Commission, the budget submission requests a $1.863 million "increase." That increase is said to support a stable employment base of 521 FTEE by including monies projected to cover inflation and a 4 percent pay raise.

Probing below the surface, the MAMOE proposal will not support the employment level it promises. The proposed fiscal year 1992 MAMOE budget does not fully fund VA-estimated costs of special pay for Central Office physicians and dentists. Additionally, while the recommended budget proposes to eliminate staffing and funding which had supported the work of the Commission, it ignores the more labor-intensive task of developing detailed "blueprints" for implementing Commission recommendations which are adopted. The Chief Medical Director will ultimately be tasked to conduct a precisely-focused analysis and develop detailed studies and recommendations regarding needed mission changes or realignments at individual VA facilities. The complexity and enormity of this undertaking and required staffing support must not be understated.

In general, Congress clearly seeks more from the Chief Medical Director's central office administration than "current services." Congress properly has expectations regarding the administration of the VA's health care system, only some of which are made specific in law and only some of which are being adequately met. Staffing limitations have frustrated several of those expectations. These include concern that a national health care system develop policies to assure quality of care; establish patient equity of access; and develop and implement a rational system of allocating resources to medical facilities which rewards productivity, and provides appropriate incentives for furnishing care at an appropriate level. These Congressional goals—some explicitly articulated and others only implicitly so—have not yet been realized, frustrated by years of budget slashing.

Since fiscal year 1982, MAMOE FTEE staff levels have declined from 866 to 528. During this period, the Chief Medical Director has received a fourth major mission—emergency preparedness—and been tasked by Congress with many new program responsibilities and preparation of innumerable reports and studies. Among these new programs, which generally have required Central Office development of policies and/or regulations and Central Office management and oversight responsibilities, are programs for the care of homeless chronically mentally ill veterans; AIDS screening, education, and treatment; specialized PTSD treatment; respite care; adult day health care; community residential care; mobile health care; the establishment of non-profit research corporations; con-

tract hospital cost-containment; VA/DOD sharing; advanced medical technology sharing; Medical Inspector oversight; quality assurance programs; health professional scholarships; "Most Efficient Organization" (MEO) and "A-76" studies; and means testing.

The tension between increased responsibilities and diminished staffing has been made more acute by diminution in support resources. By way of example, contrasting expenditures for fiscal year 1987 (which was not a peak year) with those for fiscal year 1990, dramatic MAMOE declines are evident: a drop in travel dollars from some $820,000 to some $280,000; contracts and consultants' monies plummeting from $3 million to less than $41,000; supplies and equipment budget falling from $1.9 million to $457,000; and education and training funding halved. The fiscal year 1992 budget submission projects further declines in key support areas. Obligations are estimated to drop more than twenty-five percent in employee travel, to decline by some forty percent in personal services contracts and by more than fifty percent for other contractual services.

The result of such steady and steep declines is skeletal operations which lack both staffing and support to carry out such key functions as oversight, policy formulation, and training. Festering problems at VA medical facilities often cannot be managed by telephone and ultimately only become resolved when they become so acute that national media or Congressional oversight highlight their gravity. Congressional action ultimately provokes an infusion of resources which had been unsuccessfully sought through the budget process for years. With the underfunding which has plagued MAMOE, however, each emergency repair (whether it be adding needed travel dollars for prosthetics oversight and training or augmenting the Medical Inspector's office) has come at the expense of other important MAMOE functions.

As MAMOE has shrunk, an increasing percentage of its resources has been devoted to such "housekeeping" functions as answering Congressional and other correspondence. Last year, for example, VHS&RA received and answered more than 9,900 pieces of correspondence, most concerning questions of individual veteran treatment, despite very modest clinical staffing.

With some 520 FTEE to manage VA's complex health care system (whose total employment would increase to more than 196,000 employees), the Department will devote only 0.3 of 1 percent of its staffing to the management of that system and its budget will force it to spend 83 percent of its spartan resources on salaries. No prudent management would devise such a fiscal plan for itself.

Accordingly, the Committee recommends the addition of $7.9 million and 59 FTEE to the President's fiscal year 1992 budget for MAMOE.

Veterans Benefits

COMPENSATION AND DIC

The budget requests an appropriation of $11.8 billion for service-connected disability compensation and dependency and indemnity

compensation (DIC) during fiscal year 1992. This figure includes the $632.2 million cost during fiscal 1992 of the 5.4 percent increase in compensation rates (Public Law 102-3), effective January 1, 1991. The Administration indicates enactment of this increase will also require an additional $303.1 million in fiscal year 1991. The Committee has learned that the Administration will include funding of $303.1 million for the cost-of-living adjustment (COLA) in its request for a supplemental appropriation. The budget request for fiscal year 1992 does not consider the impact of the Persian Gulf War on these programs.

The Administration again proposes future compensation COLAs be indexed to the annual change in the Consumer Price Index in the same manner as the nonservice-connected pension program. Indexing the compensation COLA in this manner would eliminate the need for annual legislative action. The Administration expects the increase, which would be effective on December 1, 1991, to be 5.2 percent and this would cost $513.6 million in 1992. The Committee will conduct hearings on legislation to effect a cost-of-living adjustment in the compensation and DIC programs during which the issue of indexing will be discussed.

The Administration also proposes to reform the Dependency and Indemnity Compensation (DIC) Program. Under the Administration proposal, beginning in fiscal year 1992, the current DIC payment rates based on military pay grades E-1 ($594) through E-5 ($686) would be phased out over a 5-year period, gradually making the E-6 level ($701) the minimum rate for all new beneficiaries. Beginning on October 1, 1991, all new claims for DIC from surviving spouses of veterans in the E-7 through O-10 pay grades would be paid at the E-6 rate. Current beneficiaries at pay grades higher than E-6 would be grandfathered at their current rates, and they would continue to receive COLAs. The Administration estimates that this proposal would result in savings of $15 million in fiscal year 1992, but would cost $400 million over a 5-year period as payments are gradually increased. The Committee will conduct hearings on legislation to restructure the DIC program, during which the Administration proposal will be discussed, and intends to report legislation which would establish a more equitable system than the present program.

The Administration also proposes legislation to extend a limitation on the payment of benefits to certain incompetent veterans with no dependents. Under current law, payments of compensation and pension are suspended when such veteran's estate from any source (not including the veteran's home) equals at least $25,000. Payment of these benefits may be resumed when the estate is reduced to $10,000. This provision, to prevent the buildup of large estates, comprised mainly of veterans benefits, which would pass to heirs who may have had little or no contact with the veteran, will remain in effect through September 30, 1992. The Administration proposes to remove the September 30, 1992, sunset provision. The Administration estimates enactment of this proposal would result in savings of $672.1 million during fiscal years 1993 through 1996. The Committee has no intention of extending this authority during the 1st session of the 102d Congress.

PENSION

The budget requests an appropriation of $3.9 billion to provide nonservice-connected disability pension payments to needy wartime veterans during fiscal year 1992. The budget request includes $158 million in fiscal year 1992 for a 5.2 percent COLA in the indexed nonservice-connected pension program, based on the anticipated change in the Consumer Price Index.

The Administration request contains a proposal to make permanent a provision which allows the VA to have access to certain Internal Revenue Service records for the purpose of verifying income of pension recipients. Under current law this authority expires on September 30, 1992. Enactment of the Administration's proposal would result in savings of $109 million in fiscal year 1993. The Committee has no intention of extending this authority during the First Session of the 102d Congress.

The Administration request also contains a proposal to make permanent a provision which limits payments of nonservice-connected disability pension in the case of a single veteran with no spouse or child who is admitted to a Medicaid-covered nursing home to a maximum of $90 per month. Under current law this provision will expire on September 30, 1992. The Committee has no intention of extending this authority during the First Session of the 102d Congress.

The Administration also proposes to change the time-in-service requirement applicable to the nonservice-connected disability pension program. The proposal would require at least 180 days of service during a period of war, versus the current law requirement of at least 90 days of service, one of which must have occurred during a period of war. This proposed change would be effective with respect to new cases entering the rolls on or after October 1, 1991. Enactment of this proposal would result in savings of $1.6 million in fiscal year 1992. The Committee rejects this proposal as not being in the best interest of wartime veterans.

INSURANCE

The life insurance programs administered by the VA will provide coverage of $197 billion for approximately 6.5 million servicepersons and veterans in fiscal year 1992.

READJUSTMENT BENEFITS

The President's budget requests an appropriation of $635,400,000 to fund the Readjustment Benefits Account which makes payments to eligible veterans to assist in their readjustment to civilian life after military service. Payments to eligible dependents are also made from this account.

Administration Legislative Proposals

1. The Committee is concerned that this budget request does not include a recommendation to increase the basic benefit paid under the Montgomery GI Bill (Chapter 30, title 38, USC, and Chapter 106, title 10, USC). Since implementation of this GI Bill (MGIB) in 1985, costs of education have risen an average of seven percent

each year. Because the basic benefit paid under the MGIB has not been increased since the program was enacted in 1984, significant increases in education costs have seriously eroded the value of the program.

Additionally, the GI Bill is a cost-effective program. Since its implementation, $1.2 billion has reverted to the U.S. Treasury as a result of the basic pay reduction required for eligibility under the Chapter 30 program while less than $450 million has been paid out to GI Bill users. Because the $1.2 billion did not need to be borrowed, significant savings in interest payments have been achieved.

Finally, the Committee is extremely disappointed the Administration's budget does not contain an increase in education benefits in view of the distinguished service rendered by our military personnel during the Persian Gulf War. Much has been said about the success of the sophisticated technology and weaponry used during Operation Desert Shield/Storm. Not enough has been said, however, about the smart people needed to operate and maintain these smart weapons. The All Volunteer Force is made up of the men and women the Armed Forces need—the best and the brightest—and a principal reason these young people chose to enter the military was to earn education benefits through service to their country. Our service personnel have more than earned an adequate education benefit which will assist in their readjustment to civilian life.

2. The Administration budget proposes legislation to eliminate veterans rated 20 percent service-connected disabled from eligibility for vocational rehabilitation under Chapter 31, title 38, USC. The Committee rejects this proposal.

3. Legislation is proposed to eliminate eligibility of stepchildren for Survivors' and Dependent's Educational Assistance (Chapter 35, title 38, USC). The Committee rejects this proposal.

4. Legislation is proposed to terminate the Education Loan Fund program. The Committee rejects this proposal.

Committee Legislative Proposals

The Committee expects to report legislation that would extend the delimiting date and restore educational assistance entitlement for certain eligible veterans and servicemembers whose education was disrupted as a result of the Persian Gulf War. The first year cost of this legislation, which would be a Department of Defense budget item, is not expected to be significant.

LOAN GUARANTY PROGRAM

The Loan Guaranty Program provides housing credit assistance to eligible veterans and service personnel through guarantees of loans made by private lenders and through direct loans to severely disabled veterans on more liberal terms than generally available to non-veterans, without the assumption of undue risks by the Government.

The Department of Veterans Affairs currently administers direct loan and guaranteed loan housing program benefits under three

distinct funds: Guaranty and Indemnity Fund: Loan Guaranty Revolving Fund: and Direct Loan Revolving Fund.

Credit Reform

The Federal Credit Reform Act of 1990, P.L. 101-508, changed the accounting for Federal credit programs to make it consistent with and comparable to non-credit transactions. The essence of credit reform is to separate the subsidy costs from the nonsubsidized cash flows of credit transactions, and to focus on the former for budgeting and analysis. To accomplish this objective, credit reform separated Federal direct loan and guaranteed loan programs accounts into the following new accounts:

Liquidating accounts—These accounts record all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992.

Program accounts—These accounts record the subsidy costs associated with direct loans obligated and loan guarantees committed in 1992 and beyond, as well as administrative expenses of the housing programs.

Guaranteed and direct loan financing accounts—These nonbudgetary accounts record all cash flows to and from the Government resulting from loan guarantees committed or direct loans obligated in 1992 and beyond. The amounts in these accounts are a means of financing and are not included in the budget totals.

Guaranty and Indemnity Fund.—In December 1989, legislation was enacted which established the Guaranty and Indemnity Fund to finance the operation of the loan guaranty program for loans made on or after January 1, 1990. In the event of an insoluble default, VA, through its contract of guarantee, stands ready to make good any loss sustained by the holder of the loan up to the amount of guarantee. To offset program expenses, a funding fee of 1.875 percent is collected on guaranteed loans and deposited in the Guaranty and Indemnity Fund. On loans with a 5 or 10 percent downpayment, the loan fee is reduced to 1.375 percent and 1.125 percent, respectively. This fee structure was established by the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508. All fees will be reduced by .625 percent effective October 1, 1991.

Highlights.—During the first year of operation, 114,239 guaranteed loans totaling $9.5 billion were closed. The fund did not incur any program obligations during the year and received $110 million in offsetting collections.

Property acquisition and claim costs account for the majority of all expenditures from the Fund. Fiscal year 1992 costs are projected to be $276 million due to claims paid on approximately 3,000 properties—an average of $92,000 per claim. Credit reform will eliminate the Government contribution of 3/4 of one percent for each loan, which is payable in three segments of 1/4 of one percent, beginning in fiscal year 1992 and beyond since the liquidating accounts will provide permanent and indefinite budget authority to fully satisfy obligations on loans previously made or guaranteed. At the end of fiscal year 1992, the Fund is projected to have an $86.2 million cash balance at Treasury.

The Administration requests $407.4 million in budget authority for the Guaranty and Indemnity Fund. This consists of three elements:

(A)—$39.7 million in GOE costs associated with originations.
(B)—$359.9 million in subsidy on 160,000 new GI loans.
(C)—$7.8 million in subsidy on 1,600 vendee loans.

Loan Guaranty Revolving Fund.—With enactment of the Guaranty and Indemnity Fund, the Loan Guaranty Revolving Fund was limited to guaranteeing only manufactured home loans. The Loan Guaranty Revolving Fund is responsible for all costs arising from home loans guaranteed prior to the enactment of the Guaranty and Indemnity Fund.

Costs associated with property acquisition and claim costs are estimated to be $1.8 billion in 1992, a $1.5 billion reduction from 1991. This decrease reflects the first year impact of the Credit Reform Act, repurchase of fewer vendee loans and a lower loss on defaulted guaranteed loans. Offsetting collections are expected to be $1.3 billion.

In order to fully fund remaining program obligations, the budget requests $373.1 million in permanent, indefinite budget authority. This request consists of three elements:

(A)—$85.9 million in GOE costs associated with servicing and property management.
(B)—$128.5 million in subsidy for 20,040 vendee loans established from GI loans guaranteed prior to GIF.
(C)—$399,000 for the subsidy on 200 mobile home loans.

Direct Loan Revolving Fund.—Since 1981, direct loans have been restricted, by appropriation language, to severely disabled veterans who require specially adapted housing assistance. The current maximum loan amount is $33,000 with a 30-year maturity. The proposed fiscal year 1992 budget anticipates making only 1 direct loan.

Loan Guaranty Administration Legislative proposals

1. Legislation is proposed to make permanent the September 30, 1991, sunset of section 8032 of the Omnibus Budget Reconciliation Act of 1990 which increased the funding fee structure by .625 percent. When the Committee was required to report savings of $620 million from veterans programs for fiscal year 1991, the Committee was forced to make difficult choices among veterans programs to achieve these savings. It was determined to be better to raise the funding fee by .625 percent for one year rather than make other cuts which would have adversely impacted the Home Loan Guaranty Program. The Committee does not endorse the Administration proposal.

2. Legislation is proposed to allow VA to include losses that occur on the resale of property in the net value calculation when determining whether or not the loan holder can convey the property to the Government. Under current law, "net value" is the fair market value minus costs the Department would incur if it acquires, manages, and disposes of the property. Generally, the Department may acquire the property if the net value exceeds the unguaranteed portion of the loan and the loan holder acquires the

property for the lesser of net value or the veteran's total indebtedness. This provision has provided a useful framework to determine when it is cost effective to either acquire a VA guaranteed property at foreclosure or pay the full guaranty amount.

The Administration-proposed new net value calculation assumes all properties would be sold at a substantial loss. Although some properties have been sold at a loss because of property depreciation, particularly in the Southwest, the economy in these areas is showing improvement. In fiscal year 1990, the Department did not acquire properties in 17 percent of foreclosures. These cases are commonly referred to as "no-bids". It is the Committee's understanding that the proposed change would increase overall no-bids to 35 to 40 percent. Many lenders have indicated that if the formula is changed, they will no longer participate in the program. Such a disincentive to participate in the program can only operate to the veteran's disadvantage. Congress addressed the property acquisition formula in Public Law 101-237, which became effective December 18, 1989. This formula was recently extended in H.R. 232 which passed the House on February 6, 1991. The Committee does not endorse the Administration's proposal.

3. Legislation is proposed to exempt the Government National Mortgage Association (GNMA) from no-bids by requiring that the Department acquire the property. Currently, GNMA has a portfolio of VA loans due to the insolvency of 4 to 5 lenders. All veterans today pay 6 points each month on their guaranteed home loans. This money is subsequently transferred to GNMA by lenders and is intended to defray costs in case of foreclosure. In theory, GNMA has been paid for such losses. This proposal would cost VA approximately $40 million and would essentially make the Department subsidize GNMA for lenders who have gone out of business. The Committee does not endorse this proposal.

4. Legislation is proposed to require a 2.5 percent fee and a 10 percent downpayment for multiple use of the loan guaranty benefit. VA estimates approximately 20 percent of new loan originations are to veterans who previously had a GI loan. It is the Committee's understanding that VA's foreclosure experience on these loans is 25 percent lower than with first time use. According to the budget submission, this proposal would generate $59 million in savings. However, the likely impact of this proposal would be that veterans would be far less inclined to use the VA program since it would be less expensive to obtain conventional financing, thereby resulting in lost revenues. The Committee does not endorse this proposal.

5. Legislation is proposed to increase the funding fee on guaranteed manufactured homes from 1 percent to 2 percent and require veterans to make a 10 percent downpayment on these loans. Under current law, veterans are required to make a 5 percent downpayment. Last year, the Administration proposed to completely eliminate the manufactured home loan program. Since the Department projects that only 200 manufactured home loans will be guaranteed in fiscal year 1992, the Committee believes this is simply a backdoor proposal to terminate the program. Therefore, the Committee does not endorse this proposal.

6. Legislation is proposed to consolidate the Loan Guaranty and Direct Loan Revolving Funds. The Administration states that due to the low level of direct loan activity, it is no longer desirable to maintain separate funds and consolidation of these funds will allow for a more comprehensive VA housing budget submission. Public Law 81-475, effective July 25, 1950, authorized the Department to provide mortgage monies in certain geographic areas where private sources of mortgage funds were unavailable. The program was expanded in 1970 to permit the Secretary to also make direct loans to disabled veterans who have been approved for Specially Adapted Housing Grants. Since 1981, direct loans have been restricted, by appropriation language, to only severely disabled veterans who require specially adapted housing assistance. The current maximum loan amount is $33,000 with a 30 year warranty. H.R. 908, which was introduced on February 6, 1991, would extend direct loan eligibility to any creditworthy reservist or national guard member who is unable to obtain a home loan because of prior service or possible future service in the Middle East, thus entailing additional activity in the Direct Loan Account. The Committee, therefore, does not endorse this proposal and believes the funds should remain separate.

American Battle Monuments Commission

The principal functions of the American Battle Monuments Commission (ABMC) are to commemorate the achievements and sacrifices of the United States Armed Forces where they have served since April 6, 1917, through the erection and maintenance of suitable memorial shrines; to design, construct, administer and maintain permanent American military burial grounds in foreign countries; to control the design and construction on foreign soil of U.S. military monuments and markers by other U.S. citizens and organizations both public and private; and to encourage U.S. governmental agencies and private individuals and organizations to maintain adequately the monuments and markers erected by them on foreign soil.

Fluctuation Account.—The dollar's exchange rate with foreign currencies has decreased considerably in most foreign countries where ABMC's installations are located. In order to insulate the Commission's annual appropriation against major changes in value due to currency exchange fluctuations, legislation was enacted in 1988 establishing the ABMC currency fluctuation account in the U.S. Treasury. Monies from the current appropriation are deposited in the account when exchange rates are higher than the budgeted rates and withdrawn from the account to offset losses when the exchange rates are less than the budgeted rates. At the beginning of the 1991 fiscal year, ABMC's currency fluctuation account contained $1.4 million. Losses of $410,000 during the first quarter of fiscal year 1991 have reduced this sum to $960,000. Should this rate of loss continue, the fund will be exhausted early in the 4th quarter. It then will be necessary to reduce planned maintenance and repairs and supply and equipment purchases to offset the losses. Two million dollars have been included in the fiscal year 1992 appropriation request to defray anticipated currency exchange losses.

Backlog.—ABMC is a labor intensive agency and during fiscal year 1990, 82 percent of its obligations were incurred to defray personnel salaries and benefits. Cost-of-living increases for ABMC employees average over $500,000 annually. Historically, shortages have been met by utilizing funds appropriated for maintenance, repairs, spare parts, equipment, and capital improvements. Presently, there is a backlog of $7 million in maintenance, repairs and capital improvement projects.

Memorials.—The budget request includes prior year funds in the amount of $149,000 to defray fire damage costs and $150,000 to construct the Guadalcanal Monument. It also includes $500,000 in prior year funds to construct the Korean War Veterans Memorial.

FTEE.—The employment level remains the same at 386.

Department of Labor

Congress has declared that we have a national responsibility to meet the employment and training needs of veterans. Accordingly, policies and programs to increase opportunities for veterans to obtain employment, job training, counseling, job placement services, and assistance in securing advancement in employment are expected to be effectively and vigorously implemented by the Secretary of Labor. Such implementation is accomplished through the Assistant Secretary of Labor for Veterans' Employment and Training (ASVET). The ASVET is the principal advisor to the Secretary of Labor on all policies and procedures affecting veterans. Through the Veterans Employment and Training Service (VETS), the ASVET supervises counseling, training, and placement policies for veterans through the public employment service and other employment and training programs.

Disabled Veterans' Outreach Program.—The Disabled Veterans' Outreach Program (DVOP) was established by Congress to provide intensive employment and training services to service-connected disabled veterans and other veterans in need of job search and placement assistance. Under section 2003A of title 38, USC, the Secretary of Labor is annually required to make available for use in each State sufficient funds to support the appointment of one DVOP specialist for each 5,300 veterans of the Vietnam era and disabled veterans residing in the State. DVOPs are located in local employment service offices. Further discussion of this program is included in the section below regarding the Committee's legislative proposal.

Local Veterans' Employment Representatives.—The Local Veterans' Employment Representative (LVER) program was created to functionally supervise the provision of job counseling, testing, job development, referral and placement to veterans in local employment service offices. LVERs also provide labor exchange information to veterans and promote and monitor participation of veterans in federally-funded employment and training programs. The President's budget requests $74.2 million for the LVER program. In order to meet the Congressionally-mandated staffing level for LVERs in fiscal year 1992, $80.2 million is required. Accordingly, the Committee recommends that $6 million more than recommend-

ed by the President be provided in the fiscal year 1992 budget in order to meet the mandated LVER staffing level.

National Veterans Training Institute.—The National Veterans Training Institute (NVTI), which was mandated by Public Law 100-323, provides training to both federal and state employees and managers and others involved in the delivery of services to veterans. Courses of training cover such subjects as veterans' reemployment rights, veterans benefits, basic DVOP and LVER training, and other areas designed to improve the operational effectiveness of veterans' employment programs. The Administration's budget includes no fiscal year 1992 funding for NVTI.

It is the Committee's view that NVTI should be continued. Because of turnover in DVOP and LVER personnel, basic NVTI training must be continuously available. Additionally, although the Committee has long urged VETS to train local employment office managers and other state employment officials in veterans' employment benefits at NVTI, few of these individuals have received such training. It should also be kept in mind that, as a result of the return to the civilian workforce of the hundreds of thousands of Selected Reservists activated in connection with the Persian Gulf War, the anticipated drawdown in military personnel levels, and planned legislative changes in the program, veterans' reemployment rights issues are expected to be particularly important in the future. Accordingly, additional veterans' employment staff will need training in this complicated, sensitive area. The Committee, therefore, recommends $2.21 million be provided for NVTI for fiscal year 1992.

Transition Assistance Program (TAP).—A significant consequence of the planned reductions in our overall military forces will be the separation of large numbers of individuals who volunteered for active duty, many of whom intended long-term or career service. Section 502 of Public Law 101-510 requires the Secretary of Labor, in conjunction with the Secretaries of Veterans Affairs and Defense, to establish and maintain a program to furnish transition counseling, job-search training and information, placement assistance, and other information and services to servicemembers who are within 180 days of separation from active duty as well as their spouses. Fiscal year 1992 appropriations of $9 million for the Department of Labor are authorized in Public Law 101-510 for the purposes of this program. Despite the fact that many of the men and women separating from the armed services will have served during the Persian Gulf War, the Administration budget recommends only $2.05 million for the Department of Labor in order to implement TAP. Accordingly, the Committee recommends that $9 million, $6.95 million over the Administration's recommendation, be provided to VETS for TAP in fiscal year 1992.

Committee Legislative Proposal

After December 31, 1991, due to a "sunset" clause in current law, the number of DVOP staff will be significantly reduced. Legislation to extend the current DVOP staffing level received favorable action in both the House and Senate during the second session of the 101st Congress, but the session ended before final action was taken.

H.R. 180, approved by the House on February 5, 1991, and passed the Senate.

In spite of the Persian Gulf War, which will result in a new generation of war-time veterans seeking employment assistance, and in spite of the planned reductions in our overall military forces, resulting in the separation of large numbers of active duty military personnel seeking civilian employment, the Administration budget does not include a legislative recommendation or funding to extend the DVOP program beyond the current "sunset" date. The President's budget requests $34.9 million for DVOPs for the first quarter of fiscal year 1992, a shortfall of $51.3 million if the program is to continue throughout fiscal year 1992 as presently staffed. Accordingly, the Committee recommends that $86.2 million, an increase of $51.3 million over that recommended by the President, be provided in fiscal year 1992 in order to maintain the DVOP program at its current levels.

United States Court of Veterans Appeals

The Court, which was established by Public Law 100-687 and which became operational on October 16, 1989, seeks an appropriation of $9.133 million for its operation and expenses during fiscal year 1992. This court, established under Article I of the Constitution, is comprised of seven judges and has exclusive jurisdiction to review final decisions of the VA Board of Veterans Appeals.

During calendar year 1990 the court received approximately 1,600 appeals. The court anticipates that, during calendar year 1991, some 3,500 new appeals will be filed and that the level of appeals by calendar 1992 will rise to 5,000.

The funding request of the court would support 105 FTEE and includes $5.7 million for personnel compensation and benefits and $3.4 million to defray other expenses of the court.

1992 Appropriations—Existing Legislation

Appropriation/Fund Account	1991	President's 1992 Request [1]	AMVETS, DAV, PVA, VFW recommendation (I.B.) [2]	Committee recommendation	Committee +/ — Pres.	Committee +/— I.B.
Benefit Programs:						
Compensation	$ 12,063	$ 11,991	$ 15,794	$ 15,794	$ 3,803	.....
Pensions	3,936	3,695	.....	.....	— 3,695	.....
Burial benefits and miscellaneous assistance	122	108	.....	.....	— 108	.....
Readjustment benefits	503	794	794	794	.....	.....
Veterans insurance and indemnities	15	26	26	26	.....	.....
Loan guaranty funds	395	880	880	880	.....	.....
Guaranty and indemnity funds	105	89	89	89	.....	.....
Total Benefit Programs	17,139	17,583	17,583	17,583	.....	.....
Medical Programs:						
Medical care	12,310	13,287	14,890	13,724	437	— $ 1,166
Medical and prosthetic research	217	217	283	260	43	— 23
Medical administration and miscellaneous operating expenses	41	41	56	48	7	— 8
Health Professional Scholarship Program	10	10	5	10	.....	5
Grants for the construction of State extended care facilities	70	85	70	85	.....	15
Grants to the Republic of the Philippines	*	1	*	*	— 1	.....
Total Medical Programs	12,648	13,641	15,304	14,127	486	— 1,177
Construction programs:						
Construction, major projects	580	450	700	590	140	— 110
Construction, minor projects	131	196	352	196	.....	— 156
Parking garage revolving fund	29	9	25	9	.....	— 16
Nursing home revolving fund	.....	.....	*	.....	.....	.....
Total Construction Programs	740	655	1,077	795	140	— 282
General Operating Expenses and Misc.:						
General Operating Expenses	903	847	977	881	34	— 96
Office of Inspector General	25	30	26	30	.....	4
Grants for the construction of State veterans cemeteries	4	5	4	5	.....	1
Total GOE and Miscellaneous	932	882	1,007	916	34	— 91
Total Appropriation	31,459	32,761	34,971	33,421	660	— 1,550

[1] As reestimated by CBO.
[2] I.B. figures do not include major appropriation items such as ADP and non-ADP equipment purchase and maintenance.

Additions to Department of Veterans Affairs Budget Request

Discretionary Accounts

Medical Care Total	$436.3 million and 2,862 FTEE
1. Restore OMB cuts	$128.5 million and 1,678 FTEE
$20.2 million and 500 FTEE from transfer of medical care recovery	
$70 million and 1,178 FTEE in phantom savings from purported shift to outpatient care associated with simply cutting hospital staffing and funding	
$28.3 million cut in facility activations based on phony "slippage" estimate	
$10 million in fee-basis "savings" attributed to proposed regulations which cannot conceivably be promulgated & savings achieved in FY 92	
2. Replacement equipment	$145 million and 0 FTEE
Put VA at the level of funding it sought from OMB	
3. Outpatient care	$50 million and 652 FTEE
To reduce waiting times and deal with added workload	
4. Post-Traumatic Stress Disorder program expansion	$7.3 million and 137 FTEE
To meet recommendations of the Independent Budget and VA program officials for specialized inpatient units and outpatient programs	
5. Medical ADP (DHCP)	$62 million and 118 FTEE
Restore OMB cut and add funds for proposed enhancement proposed by DVA	
6. Physician/Dentist Pay	$26 million and 0 FTEE
Fully fund pending legislation	
7. Homeless programs	$3.5 million and 56 FTEE
To fund an expansion of the Homeless Chronically Mentally Ill Program (4 new cities and expansion of staffing at other sites) and establish a new pilot program	
8. Care for aging veterans	$12 million and 184 FTEE
Expand hospital-based home care ($9 million and 150 FTEE) and expand and enhance the geriatric evaluation unit program ($2.566 million and 34 FTEE) to carry out key VA proposals to OMB	
9. Blind rehabilitation	$2 million and 37 FTEE
To meet recommendations of the Blinded Veterans Association	
Medical research	$43.2 million and 650 FTEE
Maintain 1991 project levels and add $25 million for important research initiatives (2/3 of the increased funding recommended by the VA's "Blue Ribbon" Commission)	
MAMOE	$7.9 million and 59 FTEE
Increase program oversight and accountability by adding amount VA has recommended	
Major construction	$140 million and 0 FTEE
Maintain funding at 1991 levels, which admittedly will not meet all VA needs	
TOTAL, Medical Accounts Add-ons	$627.4 million and 3,571 FTEE
General Operating Expenses Total	$34 million and 806 FTEE
Board of Veterans Appeals	$1 million and 27 FTEE
Maintain at current staffing level	
Veterans Benefits Administration	
Adjudication	$6 million and 167 FTEE
Voc. Rehab.	$6 million and 150 FTEE
Veterans Services	$6 million and 195 FTEE
Improve timeliness	
Loan Guaranty	$4 million and 114 FTEE
Maintain at current staffing level	
National Cemetery System	$11 million and 153 FTEE
Restore OMB cut	
TOTAL, VA Discretionary Add-ons	$661.4 million and 4,377 FTEE

Additions to Department of Labor Budget Request

Discretionary Accounts

Education, Training and Employment	
Local Veterans Employment Representative staff increase	$6 million and 110 FTEE
Meet Congressionally mandated staffing levels	
National Veterans Training Institute	$2.21 million and no FTEE
Maintain current program	
Transition Assistance	$7 million and 0 FTEE
Fund at authorized level	
TOTAL, DOL Discretionary Add-ons	$15.21 million and 0 FTEE

Function 700: Veterans Benefits and Services

Budget Authority for 1992

[In millions of dollars]

	1991 Adjusted	1992 CBO baseline	President's Recommendation	Committee Recommendation	Committee +/ − Pres.	Committee +/ − CBO
701—Income Security:						
Compensation	$ 12,063	$ 11,991	$ 11,991	$ 11,991	.....	.....
Proposed legislation	.....	486	488	486	− $ 2	.....
Pensions	3,936	3,695	3,695	3,695	.....	.....
Proposed legislation	.....	.....	− 4	.....	4	.....
Burial and other	122	108	108	108	.....	.....
Insurance (Net of receipts)	978	1,092	1,092	1,092	.....	.....
Subtotal 701	17,099	17,372	17,370	17,372	2	.....
702—Veterans Education:						
Readjustment Benefits	650	794	794	794	.....	.....
Proposed legislation	.....	.....	.....	2	2	$2
Other (including receipts)	− 147	− 139	− 140	− 139	1	.....
Subtotal 702	503	655	654	657	3	2
703—Hospital and Medical Care:						
Medical care	12,310	13,226	13,288	13,724	436	498
Proposed legislation	.....	.....	− 2	1	3	1
Construction	810	844	740	880	140	36
Medical administration and other	52	56	51	59	8	3
Research	217	233	217	260	43	27
Reimbursements for medical care	− 390	− 431	− 431	− 431	.....	.....
Proposed legislation	.....	.....	− 89	.....	89	.....
Medical Care Cost Recovery	51	55	55	55	.....	.....
Subtotal 703	13,050	13,983	13,829	14,548	719	565
704—Housing:						
Existing law	499	1,275	1,275	1,275	.....	.....
Proposed legislation	.....	.....	− 1,247	.....	1,247	.....
Subtotal 704	499	1,275	28	1,275	1,247	.....
705—Other benefits and services:						
GOE	903	848	847	881	34	33
IG	25	27	30	30	.....	3
Other	120	128	122	112	− 10	− 16
Subtotal 705	1,048	1,003	999	1,023	24	20
Total Function 700	32,199	34,289	32,881	34,875	1,994	586

Function 700: Veterans Benefits and Services

Outlays for 1992

[In millions of dollars]

	1991 Adjusted	1992 CBO baseline	President's Recommendation	Committee Recommendation	Committee +/ — Pres.	Committee +/ — CBO
701—Income Security:						
Compensation	$ 12,041	$ 11,997	$ 11,997	$ 11,997	.....	.....
Proposed legislation	.....	438	441	438	— $ 3	.....
Pensions	3,869	3,709	3,709	3,709	.....	.....
Proposed legislation	.....	.....	— 4	.....	4	.....
Burial and other	104	108	108	108	.....	.....
Insurance (Net of receipts)	885	945	945	945	.....	.....
Subtotal 701	16,899	17,197	17,195	17,197	2	.....
702—Veterans Education:						
Readjustment Benefits	663	794	794	794	.....	.....
Proposed legislation	.....	.....	— 11	2	13	$ 2
Other (including receipts)	— 114	— 129	— 129	— 129	.....	.....
Subtotal 702	549	665	654	667	13	2
703—Hospital and Medical Care:						
Medical care	11,970	13,368	13,421	13,796	375	428
Proposed legislation	.....	.....	— 2	1	3	1
Construction	626	677	683	689	6	12
Medical administration and other	39	51	49	54	5	3
Research	203	224	212	243	31	19
Reimbursement for medical care	— 390	— 431	— 431	— 431	.....	.....
Proposed legislation	.....	.....	— 89	.....	89	.....
Medical care cost recovery	38	57	57	57	.....	.....
Subtotal 703	12,486	13,946	13,900	14,409	509	463
704—Housing:						
Existing law	238	1,239	1,239	1,239	.....	.....
Proposed legislation	.....	.....	— 1,247	.....	1,247	.....
Subtotal 704	238	1,239	— 8	1,239	1,247	.....
705—Other benefits and services:						
GOE	891	854	854	884	30	30
IG	25	27	29	29	.....	2
Other	120	137	137	137	.....	.....
Subtotal 705	1,036	1,018	1,020	1,050	30	32
Total Function 700	31,208	34,065	32,760	34,562	1,802	497

Summary of Proposed Legislative Changes with CBO Cost Estimates

(In millions of dollars)

Legislative proposals of the Committee		1992	1993	1994	1995	1996
701—Income Security:						
Compensation COLA (5.2%) (Direct Spending)	BA	$ 486	$ 949	$ 1,412	$ 1,893	$ 2,391
	0	438	913	1,493	1,892	2,191
NOTE: AMOUNTS FOR COLA ARE INCLUDED IN THE CBO BASELINE AND IN THE OMB BUDGET.						
702—Education, Training & Employment:						
Restore educational entitlement and extend delimiting period for individuals serving during the Persian Gulf War. DOD costs (Direct Spending)	BA	0	0	0	* 10	0
	0	0	0	0	* 10	0
Improve veterans educational and employment programs (H.R. 180). (Direct Spending—all VA)	BA	2	2	2	2	1
	0	2	2	2	2	1
Increase HISA Grants	BA	1	1	1	1	1
	0	1	1	1	1	1
Total	BA	487	952	1,414	1,906	2,393
	0	439	916	1,496	1,905	2,193

Presidential legislative proposals not recommended by the Committee		1992	1993	1994	1995	1996
701—Income Security:						
Remove 9/30/92 Sunset on incompetent veteran payment restrictions	BA	0	– 161	– 167	– 173	– 179
	0	0	– 160	– 166	– 173	– 179
Remove 9/30/92 Sunset for pensioners in Medicaid nursing homes	BA	0	– 139	– 139	– 139	– 139
	0	0	– 131	– 163	– 139	– 114
Remove 9/30/92 Sunset on pension income verification with IRS	BA	0	– 14	– 16	– 21	– 37
	0	0	– 10	– 20	– 21	– 29
Require 180 days service for pension eligibility	BA	– 4	– 8	– 13	– 17	– 20
	0	– 4	– 8	– 13	– 17	– 19
DIC reform	BA	3	13	68	105	149
	0	2	12	69	105	138
702—Education, Training & Employment:						
Eliminate eligibility for 20% service- connected disabled veterans for vocational rehabilitation (Direct Spending)	BA	– 10	– 22	– 27	– 28	– 28
	0	– 10	– 22	– 27	– 28	– 28
Eliminate eligibility for stepchildren for Dependents' & Survivors' Education Assistance. (Direct Spending)	BA	– 1	– 5	– 4	– 4	– 4
	0	– 1	– 5	– 4	– 4	– 4
703—Medical Care:						
Cutback in beneficiary travel for "Rural Veterans"	BA	– 38	– 39	– 41	– 42	– 43
	0	– 38	– 39	– 41	– 42	– 43
Eliminate Sunset Date, Increased Copayments (Direct Spending)	BA	– 89	– 127	– 136	– 145	– 155
	0	– 89	– 127	– 136	– 145	– 155
Eliminate Sunset Date, Bill for NSC Care to SC veterans (Direct Spending)	BA	0	0	– 70	– 95	– 99
	0	0	0	– 70	– 95	– 99
704—Housing Programs:						
Make permanent the 1.875 funding fee which is scheduled to be reduced to 1.25% October 1, 1990. (Direct Spending)						
Add resale losses to net value calculation and exempt GNMA from VA no-bids. (Direct Spending)						
Require a 2.5% fee and a 10% downpayment for multiple use of the Loan Guaranty Benefit. (Direct Spending)						

Presidential legislative proposals not recommended by the Committee		1992	1993	1994	1995	1996
Require a 2% fee and a 10% downpayment on manufactured home loans. (Direct Spending)						
Merger of the Direct Loan and Loan Guaranty Funds						
Combined Effect of Legislative Proposals—Loan Guaranty	BA	− 828	− 13	− 13	− 11	− 10
	0	− 828	− 13	− 13	− 11	− 10
Guaranty and Indemnity Fund	BA	− 420	− 264	− 260	− 271	− 281
	0	− 420	− 264	− 260	− 271	− 281
Total	BA	− 1,387	− 799	− 818	− 841	− 846
	0	− 1,388	− 767	− 844	− 841	− 823

* Less than $500,000

APPENDIX A

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

February 8, 1991

TO : House Committee on Veterans' Affairs
Attention: Mack Fleming

FROM : Mary F. Smith
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : **Veterans' Benefits and Services as a Part of the Total Federal Budget**

The following are updated budget tables, as requested in the November 20, 1990, letter from Representative Montgomery to the Congressional Research Service. These data reflect the Administration budget request for FY 1992. Reestimates of previous years' funding are also reflected.

The following table indicates total Federal outlays, veterans' benefits and service outlays (function 700), and the percentage for veterans' benefits and services for fiscal years 1977-1992 (estimated).

TABLE 1. Total Federal Outlays and Veterans' Benefits and Service Outlays, Fiscal Years 1977-1992
(in millions of dollars)

Fiscal year	Total Federal outlays	Veterans' benefits and services	Veterans as percent of outlays
1977	$ 409,203	$18,038	4.4
1978	458,729	18,978	4.1
1979	503,464	19,931	4.0
1980	590,920	21,185	3.6
1981	678,209	22,991	3.4
1982	745,706	23,958	3.2
1983	808,327	24,846	3.1
1984	851,781	25,614	3.0
1985	946,316	26,292	2.8
1986	990,258	26,356	2.7
1987	1,003,830	26,782	2.7
1988	1,064,051	29,428	2.8
1989	1,144,069	30,066	2.6
1990	1,251,703	29,112	2.3
1991 (est.)	1,409,563	31,483	2.2
1992 (est.)	1,445,902	33,001	2.3

The above table indicates that in 1977 the percentage of total Federal outlays spent on veterans' benefits and services was 4.4 percent. Since that time, there has been a general decrease with an estimate for fiscal year 1992 of 2.3 percent.

Source: Office of Management and Budget. Historical Tables. *Budget of the United States Government*. Fiscal year 1992.

Federal outlays for veterans' benefits and services have increased only by a ratio of 4 to 1 compared to 370 to 1 for Social Security; 303 to 1 for health; 189 to 1 for education, training, employment and social services; 45 to 1 for income security; and 18 to 1 for Medicare.

TABLE 2. Federal Outlays in Human Resources Programs
Selected Years 1950-1992
(in millions of dollars)

Fiscal year	Education, training, employment and social services	Health	Social security	Medicare	Income security	Veterans' benefits and services
1950	$ 241	$ 268	$ 781	$	$ 4,097	$ 8,834
1955	445	291	4,427		5,071	4,675
1960	968	795	11,602		7,378	5,441
1965	2,146	1,791	17,460		9,455	5,723
1970	8,634	5,907	30,270	6,213	15,645	8,679
1975	16,002	12,930	64,658	12,875	50,160	16,599
1980	31,843	23,169	118,547	32,090	86,540	21,185
1985	29,342	33,542	188,623	65,822	128,200	26,292
1990	38,497	57,716	248,623	98,102	147,277	29,112
1991 (est.)	42,800	71,188	268,965	104,433	173,189	31,483
1992 (est.)	45,530	81,260	288,632	113,720	184,839	33,001
Ratio of 1992 to 1950:	189 to 1	303 to 1	370 to 1	18 to 1*	45 to 1	4 to 1

*The Medicare program was enacted in 1965; this ratio is for 1992 to 1970.

Source: Office of Management and Budget. Historical Tables. *Budget of the United States Government*. Fiscal year 1992.

CRS-4

Federal spending for the health function and Medicare program is expected to total $194,980 million in FY 1992. The following table displays the total Federal outlays for health, Medicare and veterans' hospital and medical care, and the percentage attributable to veterans. There has been a steady decline of the percent of these Federal outlays attributed to veterans, during fiscal years 1977-1992 (estimated).

TABLE 3. Federal Outlays for Health, Medicare, and Veterans' Hospital and Medical Care, Fiscal Years 1977-1992
(in millions of dollars)

Fiscal year	Outlays for health[a]	Outlays for Medicare	Outlays for veterans' hospital and medical care	Total	Veterans as percent of total
1977	$ 17,302	$ 19,345	$ 4,708	$ 41,355	11.4
1978	18,524	22,768	5,254	46,546	11.3
1979	20,494	26,495	5,611	52,600	10.7
1980	23,169	32,090	6,515	61,774	10.5
1981	26,866	39,149	6,965	72,980	9.5
1982	27,445	46,567	7,517	81,529	9.2
1983	28,641	52,588	8,272	89,501	9.2
1984	30,417	57,540	8,861	96,818	9.2
1985	33,542	65,822	9,547	108,911	8.8
1986	35,936	70,164	9,872	115,972	8.5
1987	39,967	75,120	10,266	125,353	8.2
1988	44,487	78,878	10,842	134,207	8.1
1989	48,390	84,964	11,343	144,697	7.8
1990	57,716	98,102	12,134	167,952	7.2
1991 (est.)	71,188	104,433	12,597	188,218	6.7
1992 (est.)	81,260	113,720	13,397	208,377	6.4

[a]Outlays are from budget function 550, which does not include Medicare, Department of Veterans Affairs, or Department of Defense spending for health care.

Source: Office of Management and Budget. Historical Tables. *Budget of the United States Government*. Fiscal year 1992.

The following table provides Federal outlays for veterans' benefits and services as a percent of Gross National Product (GNP) for fiscal years 1977-1992 (estimated). As a percentage of GNP, the cost of veterans' benefits and services has generally declined, from 0.93 in 1977 to an estimated 0.55 in 1992.

TABLE 4. Federal Outlays for Veterans' Benefits and Services as a Percent of Gross National Product, Fiscal Years 1977-1992

Fiscal year	Percent of GNP
1977	0.93
1978	0.87
1979	0.81
1980	0.79
1981	0.77
1982	0.76
1983	0.75
1984	0.69
1985	0.67
1986	0.63
1987	0.61
1988	0.62
1989	0.59
1990	0.54
1991 (est.)	0.56
1992 (est.)	0.55

Source: Office of Management and Budget. Historical Tables. *Budget of the United States Government*. Fiscal year 1992.

TABLE 5. Federal Outlays for Veterans' Health, Medicaid, and Medicare Fiscal Years 1965-1992
(in millions of dollars)

	Veterans' hospital and medical care		Medicaid		Medicare		
Fiscal year	Outlays	% of total	Outlays	% of total	Outlays	% of total	Total[a]
1965	1,270	41.5	272	8.9	0	0	3,061
1970	1,800	12.9	2,727	19.6	6,213	44.6	13,920
1975	3,665	12.4	6,840	23.2	12,875	43.7	29,470
1980	6,515	10.5	13,957	22.6	32,090	51.9	61,774
1985	9,547	8.8	22,655	20.8	65,822	60.4	108,911
1990	12,134	7.2	41,103	24.5	98,102	58.4	167,952
1991 (est.)	12,597	6.7	51,555	27.4	104,433	55.5	188,218
1992 (est.)	13,397	6.4	59,832	28.7	113,720	54.6	208,377

[a]Total is composed of function 550 (health, which includes medicaid), function 570 (medicare), and function 703 (hospital and medical care for veterans).

Source: Office of Management and Budget. Historical Tables. *Budget of the United States Government*. Fiscal year 1992.

Outlays for veterans' hospital and medical care decreased from 41.5 percent of total health outlays in FY 1965 to 6.4 percent of total health outlays in FY 1992 (estimated). During this period, outlays for medicaid increased from 8.9 percent to 28.7 percent of total health outlays. Outlays for medicare have increased more moderately from 44.6 percent of total health spending in FY 1970 to 54.6 percent in FY 1992 (estimated).

APPENDIX B

Functional Distribution of Budget Authority (Net)

(dollars in thousands)

Function and Program	1990	1991	1992	Increase (+) Decrease (-)
701: Income security for veterans:				
Compensation	$11,566,323	$11,626,778	$11,181,420	$-445,358
Proposed legislation	...	303,084	1,130,800	+827,716
Pensions	3,884,458	3,936,232	3,897,300	-38,932
Proposed legislation	...	...	-1,600	-1,600
Burial benefits & miscellaneous assistance	139,714	121,541	130,700	+9,159
Veterans insurance and indemnities	13,940	15,410	25,740	+10,330
National service life insurance	1,441,867	1,458,670	1,428,270	-30,400
US Government life insurance	13,892	12,670	10,620	-2,050
NSLI & USGLI receipts	-400,205	-403,447	-372,626	+30,821
Subtotal, income security for veterans	16,659,989	17,070,938	17,430,624	+359,686
702: Veterans education training and rehabilitation	:			
Readjustment benefits	472,556	538,100	635,400	+97,300
Proposed legislation	...	...	-12,300	-12,300
Education loan fund program account, current	...	315	315	...
Proposed legislation	...	...	-8	-8
Vocational rehabilitation loans program account, current	...	1,037	1,041	+4
Post-Vietnam era veterans education account	197,105	133,954	123,539	-10,415
Post-Vietnam era veterans education receipts	-197,105	-133,954	-123,539	+10,415
GI Bill receipts	-251,018	-250,000	-250,000	...
Subtotal, veterans education training and rehabilitation	221,538	289,452	374,448	+84,996
703: Hospital & Medical Care for veterans:				
Medical care	11,436,306	12,310,490	13,287,096	+976,606
Proposed legislation	...	...	-26,606	-26,606
Medical and prosthetic research	213,652	216,795	216,795	...
Medical administration and miscellaneous operating expenses	46,69	41,434	40,479	-955
Proposed legislation	...	...	637	+637
Health professional scholarship program	...	10,113	10,113	...
Construction, major projects	457,022	580,000	450,000	-130,000
Construction, minor projects	91,637	130,640	195,701	+65,061
Parking garage revolving fund	28,543	28,900	8,536	-20,364
Grants to the Republic of the Philippines	492	484	500	+16
Medical care cost recovery, permanent, indefinite	...	51,000	60,000	+9,000
Proprietary Receipts	...	-344,000	-439,000	-95,000
Fees and other charges for medical services, receipts	-148,057	-45,300	-10,300	+35,000
Proposed legislation	...	...	-125,000	-125,000
Subtotal, hospital and medical care for veterans	12,126,292	12,980,556	13,668,951	+688,395

Functional Distribution of Budget Authority (Net) (cont'd)

(dollars in thousands)

Function and Program	1990	1991	1992	Increase (+) Decrease (-)
704: Veterans housing:				
Loan guaranty revolving fund	548,500	634,600	373,100	-261,500
Proposed legislation	...	...	-95,900	-95,900
Loan guaranty program account, current	...	...	85,870	+85,870
Proposed legislation	...	...	1,368	+1,368
Loan guaranty program account, current, indefinite	...	...	128,920	+128,920
Proposed legislation	...	...	-5,447	-5,447
Guaranty and indemnity fund, permanent, indefinite	...	83,400	74,200	-9,200
Guaranty and indemnity program account, current	...	...	39,689	+39,689
Guaranty and indemnity program account, current, indefinite	...	...	367,709	+367,709
Proposed legislation	...	...	-192,766	-192,766
Direct loan program account, current	...	...	1,368	+1,368
Proposed legislation	...	...	-1,368	-1,368
Direct loan program account, current, indefinite	...	...	9	+9
Proposed legislation	...	...	-9	-9
Subtotal, veterans housing	**548,500**	**718,000**	**776,743**	**+58,743**
705: Other veterans benefits and services:				
Grants for the construction of State veterans cemeteries	4,288	3,946	5,104	+1,158
Grants for construction of State extended care facilities	41,349	70,000	85,000	+15,000
General post fund	25,153	26,000	26,500	+500
General operating expenses	811,628	902,514	847,204	-55,310
Office of Inspector General	21,786	24,859	29,959	+5,100
National cemetery gift fund	134	50	50	...
Subtotal, other veterans benefits and services	**904,338**	**1,027,369**	**993,817**	**-33,552**
Total, function 700 distribution of Budget Authority for the Department of Veterans Affairs	**30,460,914**	**32,086,315**	**33,244,583**	**+1,158,268**
Deduction for offsetting receipts (function 902)	-1,058,546	-1,069,165	-1,067,618	+1,547
Total Department of Veterans Affairs	**$29,402,368**	**$31,017,150**	**$32,176,965**	**$+1,159,815**

Functional Distribution of Outlays

(dollars in thousands)

Function and Program	1990	1991	1992	Increase (+) Decrease (-)
701: Income security for veterans:				
Compensation	$10,714,092	$11,663,892	$11,217,048	$-446,844
Proposed legislation	...	412,288	1,081,888	+669,600
Pensions	3,594,100	3,955,135	3,900,415	-54,720
Proposed legislation	...	...	-1,600	-1,600
Burial benefits and miscellaneous assistance	145,042	129,300	130,700	+1,400
Veterans insurance and indemnities	13,901	15,440	25,740	+10,300
Reinstated entitlement program for survivors	955	7,195	...	-7,195
Service-disabled veterans insurance	1,045	6,105	-1,690	-7,795
Veterans reopened insurance	-4,254	-3,830	-1,320	+2,510
Servicemen's group life insurance	-13,891	-15,130	-7,610	+7,520
National Service Life Insurance	1,222,803	1,301,160	1,323,350	+22,190
U.S. Government life insurance	31,710	31,710	28,600	-3,110
Veterans special life insurance	-64,626	-53,680	-49,600	+4,080
NSLI & USGLI receipts	-400,205	-403,447	-372,626	+30,821
Subtotal, income security for veterans	**15,240,672**	**17,046,138**	**17,273,295**	**+227,157**
702: Veterans education, training, and rehabilitation:				
Readjustment benefits	485,564	540,800	632,800	+92,000
Proposed legislation	...	...	-12,300	-12,300
Veterans' jobs training	2,145	250	...	-250
Education loan fund	-4,207	-4,387	-4,000	+387
Education loan fund program account	...	315	315	...
Proposed legislation	...	...	-8	-8
Vocational rehabilitation revolving fund	143	25	-665	-690
Vocational rehabilitation loans program	...	1,037	1,041	+4
Post-Vietnam era veterans education account	212,472	201,207	169,078	-32,129
PVEVEA receipts	-197,105	-133,954	-123,539	+10,415
GI Bill receipts	-251,018	-250,000	-250,000	...
Subtotal, veterans education, training and rehabilitation	**247,994**	**355,293**	**412,722**	**+57,429**
703: Hospital and medical care for veterans:				
Medical care	11,330,062	12,101,212	13,037,090	+935,878
Proposed legislation	...	...	-26,606	-26,606
Medical and prosthetic research	206,568	212,459	216,686	+4,227
Medical center research organizations	...	-1,360	-500	+860
Medical administration and miscellaneous operating expenses	45,566	50,040	39,669	-10,371
Proposed legislation	...	...	637	+637
Health professional scholarship program	...	...	6,978	+6,978
Construction, major projects	509,952	411,811	457,839	+46,028
Construction, minor projects	142,706	103,761	107,153	+3,392
Parking garage revolving fund	8,500	27,925	27,576	-349
Nursing home revolving fund	-74	-120	...	+120
Grants for construction of State extended care facilities	38,369	42,001	46,481	+4,480
Grants to the Republic of the Philippines	571	754	500	-254
Assistance for health manpower training institutions	...	...	...	...
Special therapeutic & rehabilitation activities fund	-347	-250	-250	...
Medical care cost recovery	...	38,250	57,750	+19,500
Proprietary Receipts	...	-344,000	-439,000	-95,000
Fees and other charges for medical services, receipts	-148,057	-45,300	-10,300	+35,000
Proposed legislation	...	...	-125,000	-125,000
Subtotal, hospital and medical care for veterans	**12,133,816**	**12,597,183**	**13,396,703**	**+799,520**

Functional Distribution of Outlays (cont'd)

(dollars in thousands)

Function and Program	1990	1991	1992	Increase (+) Decrease (-)
704: Veterans Housing				
Loan guaranty revolving fund	649,063	628,600	404,100	-224,500
Proposed legislation	...	...	-101,700	-101,700
Loan guaranty program account	...	...	214,790	+214,790
Proposed legislation	...	...	-4,079	-4,079
Guaranty and indemnity fund	-115,957	-215,700	162,500	+378,200
Proposed legislation	...	...	-13,800	-13,800
Guaranty and indemnity program account	...	...	407,398	+407,398
Proposed legislation	...	...	-192,766	-192,766
Direct loan revolving fund	-15,632	-15,300	-5,800	+9,500
Proposed legislation	...	...	5,800	+5,800
Direct loan program account	...	...	1,377	+1,377
Proposed legislation	...	...	-1,377	-1,377
Subtotal, veterans housing	**517,474**	**397,600**	**876,443**	**+478,843**
705: Other veterans benefits and services:				
Grants for the construction of State veterans cemeteries	3,021	6,500	6,500	...
Canteen service revolving fund	-7,915	-3,613	-3,906	-293
Supply fund	8,901	...	...	...
General post fund	24,075	23,500	24,000	+500
General operating expenses	810,725	890,637	799,375	-91,262
Office of Inspector General	19,536	24,644	29,602	+4,958
National cemetery gift fund	...	140	50	-90
Subtotal, other veterans benefits andservices	**858,343**	**941,808**	**855,621**	**-86,187**
Total, function 700 Distribution of Budget Outlays for the Department of Veterans Affairs	**$28,998,299**	**$31,338,022**	**$32,814,784**	**$+1,476,762**
Deduction for offsetting receipts (Function 902)	-1,058,546	-1,069,165	-1,067,618	+1,547
Total Department of Veterans Affairs	**$27,939,753**	**$30,268,857**	**$31,747,166**	**$+1,478,309**

BUDGET AUTHORITY

1983-1992

(dollars in millions)

	ACTUALS								ESTIMATES	
Appropriation/Fund Account	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Benefit programs										
Compensation 1/	$9,565.916	$9,952.512	$10,232.458	$10,429.506	$10,504.963	$10,797.500	$11,371.649	$11,566.323	$11,626.778	$11,181.420
Contract authority, permanent, indefinite	...	...	...	...	...	67.049	...	...	...	...
Liquidation of contract authority	...	...	...	...	...	...	(67.049)	...	...	...
Pensions 1/	3,741.634	3,916.000	3,809.870	3,850.179	3,794.219	3,825.700	3,881.755	3,884.458	3,936.232	3,897.300
Contract authority, permanent, indefinite	...	...	...	...	...	...	...	...	...	...
Liquidation of contract authority	...	...	...	...	...	...	...	...	...	...
Burial benefits and miscellaneous assistance	122.250	128.388	132.572	129.314	123.318	141.687	155.282	139.714	121.541	130.700
Contract authority, permanent, indefinite	...	...	...	...	...	3.982	...	...	...	...
Liquidation of contract authority	...	...	...	...	...	...	(3.982)	...	...	...
Readjustment benefits 1/	1,666.800	1,443.200	1,130.800	895.569	763.250	675.700	667.457	472.813	538.100	635.400
Contract authority, permanent, indefinite	...	...	...	...	...	13.312	...	...	...	...
Liquidation of contract authority	...	...	...	...	...	...	(13.312)	...	...	...
Veterans insurance and indemnities	6.400	7.400	11.000	9.745	4.770	14.290	13.470	13.940	15.410	25.740
Reinstated entitlement program for survivors	...	51.000	...	...	...	...	...	...	...	...
Veterans' job training	...	130.000	...	35.000	30.000	...	...	...	...	...
Loan guaranty revolving fund	...	260.000	306.600	200.000	100.000	1,094.670	778.100	548.500	634.600	373.100
Loan guaranty revolving fund, permanent, indefinite	...	...	...	...	...	389.259	...	...	...	...
Loan guaranty program account, current	...	...	...	...	...	...	...	...	...	85.870
Loan guaranty program account, current, indefinite	...	...	...	...	...	...	...	...	...	128.920
Guaranty & indemnity fund, permanent, indefinite	...	...	...	...	...	...	...	...	83.400	74.200
Guaranty & indemnity fund program account, current	...	...	...	...	...	...	...	...	...	39.689
Guaranty & indemnity fund program account, current, indefinite	...	...	...	...	...	...	...	...	...	367.709
Direct loan program account, current	...	...	...	...	...	...	...	...	...	1.368
Direct loan program account, current, indefinite	...	...	...	...	...	...	...	...	...	0.009
Education loan fund program account, current	...	...	...	...	...	...	...	...	0.315	0.315
Vocational rehabilitation loans program account, current	...	...	...	...	...	...	...	...	1.037	1.041
Total benefits programs	15,103.000	15,888.500	15,623.300	15,549.313	15,320.520	17,023.149	16,783.370	16,625.748	16,957.413	16,942.781
Medical programs										
Medical care	7,773.254	8,244.414	8,941.169	9,130.137	9,728.203	10,151.387	10,887.671	11,436.306	12,310.490	13,287.096
Medical and prosthetic research	154.839	217.680	192.695	181.127	212.798	192.899	210.241	213.652	216.795	216.795
Medical administration & misc. operating expenses	56.420	66.552	67.891	51.222	41.769	46.628	47.909	46.697	41.434	40.479
Health professional scholarship	...	...	...	...	...	...	...	...	10.113	10.113
Medical care cost recovery, permanent, indefinite	...	...	...	...	...	...	...	...	51.000	60.000
Grants for construction State extended care facilities	18.000	18.000	34.500	20.822	42.400	40.320	42.000	41.349	70.000	85.000
Grants to the Republic of the Philippines	0.500	0.500	0.500	0.474	0.500	0.480	0.500	0.492	0.484	0.500

BUDGET AUTHORITY

1983-1992

(dollars in millions)

	ACTUALS								ESTIMATES	
Appropriation/Fund Account	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total medical programs	8,003.013	8,547.146	9,236.755	9,383.782	10,025.670	10,431.714	11,188.321	11,738.496	12,700.316	13,699.983
Construction programs										
Construction, major projects	670.792	345.692	568.194	485.544	382.708	402.884	358.040	457.022	580.000	450.000
Construction, minor projects	141.748	185.378	199.823	95.077	80.000	115.942	96.596	91.637	130.640	195.701
Parking garage revolving fund	...	...	...	...	26.000	3.936	26.000	28.543	28.900	8.536
Total construction programs	812.540	531.070	768.017	580.621	488.708	522.762	480.636	577.202	739.540	654.237
General operating expenses and misc.										
General operating expenses	690.152	715.676	753.954	713.819	770.500	774.810	799.216	811.628	902.514	847.204
Grants for construction of State veterans cemeteries	2.500	3.000	5.000	2.839	...	...	9.000	4.288	3.946	5.104
Office of Inspector General	...	...	...	...	...	...	...	21.786	24.859	29.959
Total GOE and miscellaneous	692.652	718.676	758.954	716.658	770.500	774.810	808.216	837.702	931.319	882.267
Total appropriations (adjusted)	24,611.205	25,685.392	26,387.026	26,230.374	26,605.398	28,752.435	29,260.543	29,779.148	31,328.588	32,179.268
Proposed legislation:										
Compensation	...	...	...	...	...	...	...	...	303.084	1,130.800
Pensions	...	...	...	...	...	...	...	...	...	(1.600)
Readjustment benefits	...	...	...	...	...	...	...	...	...	(12.300)
Education loan fund program account	...	...	...	...	...	...	...	...	...	(0.008)
Loan guaranty revolving fund	...	...	...	...	...	...	...	...	...	(95.900)
Loan guaranty program account, current	...	...	...	...	...	...	...	...	...	1.368
Loan guaranty program account, current, indefinite	...	...	...	...	...	...	...	...	...	(5.447)
Guaranty and indemnity program account, current, indefinite	...	...	...	...	...	...	...	...	...	(192.766)
Direct loan program account, current	...	...	...	...	...	...	...	...	...	(1.368)
Direct loan program account, current, indefinite	...	...	...	...	...	...	...	...	...	(0.009)
Medical care	...	...	...	...	...	...	...	...	...	(26.606)
Medical administration and miscellaneous operating expenses	...	...	...	...	...	...	...	...	...	0.637
Receipts: Fees and other charges for medical services	...	...	...	...	...	...	...	...	...	(125.000)
Total proposed legislation	...	...	...	...	...	...	...	...	303.084	671.801
DEDUCT: Proprietary receipts from the public	(77.510)	(59.070)	...	(113.253)	(228.546)	(338.924)	(430.269)	(399.075)	(639.300)	(699.300)
Total federal funds	24,533.695	25,626.322	26,387.026	26,117.121	26,376.852	28,413.511	28,830.274	29,380.073	30,992.372	32,151.769
Trust funds										
Post-Vietnam era veterans education account	222.315	224.776	290.399	323.875	233.106	274.747	182.793	197.105	133.954	123.539
General post fund	10.667	13.447	11.521	13.996	21.431	20.294	29.419	25.153	26.000	26.500
National service life insurance	1,202.072	1,248.781	1,304.888	1,367.013	1,390.514	1,406.849	1,430.310	1,441.867	1,458.670	1,428.270
U.S. Government life insurance	26.268	23.279	21.556	19.644	17.552	16.364	15.088	13.892	12.670	10.620
National cemetery gift fund	...	...	...	...	...	...	...	0.134	0.050	0.050
Total trust funds (gross)	1,461.322	1,510.283	1,628.364	1,724.528	1,662.603	1,718.254	1,657.610	1,678.151	1,631.344	1,588.979

BUDGET AUTHORITY

1983-1992

(dollars in millions)

	ACTUALS								ESTIMATES	
Appropriation/Fund Account	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
DEDUCT: Proprietary receipts from the public	(605.105)	(617.028)	(636.704)	(650.226)	(588.813)	(515.598)	(460.352)	(428.323)	(420.347)	(382.650)
Total trust funds (net)	856.217	893.255	991.660	1,074.302	1,073.790	1,202.656	1,197.258	1,249.828	1,210.997	1,206.329
DEDUCT: Intragovernmental transactions	(65.911)	(51.008)	(80.412)	(116.350)	(87.977)	(184.197)	(134.598)	(168.987)	(117.054)	(113.515)
Total Department of Veterans Affairs	$25,324.001	$26,468.569	$27,298.274	$27,075.073	$27,362.665	$29,431.970	$29,892.934	$30,460.914	$32,086.315	$33,244.583

1/ Contract authority shown for 1989 is in compliance with the GAO decision requiring all non-discretionary costs to be obligated, absent available funding. The 1988 contract authority was liquidated in in 1989 from appropriated funds.

BUDGET OUTLAYS

1983-1992

(dollars in millions)

Appropriation/Fund Account	ACTUALS								ESTIMATES	
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Benefit programs										
Compensation	$9,843.853	$9,915.741	$10,343.044	$10,416.201	$10,502.353	$11,251.859	$11,649.655	$10,714.092	$11,663.892	$11,217.048
Pensions	3,893.900	3,874.220	3,847.865	3,874.368	3,793.200	3,934.821	4,024.002	3,594.100	3,955.135	3,900.415
Burial benefits and miscellaneous assistance	122.250	128.388	132.572	121.909	130.730	141.674	142.196	145.042	129.300	130.700
Readjustment benefits	1,713.702	1,408.267	1,173.667	918.056	776.401	700.006	663.431	485.564	540.800	632.800
Veterans insurance and indemnities	6.629	7.167	10.916	9.936	4.856	13.866	13.832	13.901	15.440	25.740
Reinstated entitlement program for survivors	...	44.802	(15.326)	9.856	(2.845)	(0.755)	0.639	0.955	7.195	...
Veterans' job training	...	17.078	68.838	34.192	38.005	25.252	14.811	2.145	0.250	...
Loan guaranty revolving fund	239.268	369.847	278.462	162.769	332.059	1,218.842	897.762	649.063	628.600	404.100
Loan guaranty program account	...	...	...	...	...	...	...	...	...	214.790
Guaranty and indemnity fund	...	...	...	...	...	...	...	...	...	162.500
Guaranty and indemnity program account	...	...	...	...	...	...	...	(115.957)	(215.700)	497.398
Direct loan revolving fund	(139.764)	(44.573)	(40.675)	(28.669)	(33.064)	(79.804)	(19.943)	(15.632)	(15.300)	(5.800)
Direct loan program account	...	...	...	...	...	...	...	...	...	1.377
Service-disabled veterans insurance fund	0.432	(0.395)	(3.168)	(2.533)	1.984	(3.093)	2.428	1.045	6.105	(1.680)
Veterans reopened insurance fund	(22.475)	(15.864)	11.417	40.123	(7.580)	(5.041)	(6.152)	(4.254)	(3.830)	(1.320)
Education loan fund	(6.577)	(6.780)	(6.325)	(6.248)	(9.871)	(6.336)	(5.902)	(4.207)	(4.387)	(4.000)
Education loan program account	...	...	...	...	...	...	...	...	0.315	0.315
Vocational rehabilitation revolving fund	(0.021)	0.024	(0.041)	(0.061)	(0.012)	0.105	0.115	0.143	0.025	(0.665)
Vocational rehabilitation loans program account	...	...	...	...	...	...	...	...	1.037	1.041
Servicemen's group life insurance fund	(39.751)	(27.010)	(19.750)	(5.726)	(12.879)	(2.910)	(13.729)	(13.891)	(15.130)	(7.610)
Total benefits programs	15,611.446	15,670.912	15,675.486	15,544.173	15,563.337	17,188.486	17,363.145	15,432.109	16,693.747	17,077.139
Medical programs										
Medical care	7,602.087	8,123.794	8,721.690	9,095.306	9,499.750	10,045.310	10,514.539	11,330.062	12,101.212	13,037.890
Medical and prosthetic research	151.583	186.286	215.124	181.246	195.123	197.330	184.940	206.568	212.459	216.686
Medical center research organizations	...	...	...	...	...	...	...	...	(1.360)	(0.500)
Medical administration & misc. operating expenses	58.365	64.581	65.571	54.780	40.265	40.463	45.094	45.566	50.040	39.649
Health professional scholarship program	...	...	...	...	...	...	...	...	...	6.978
Grants for construction State extended care facilities	13.612	5.154	20.364	16.684	26.046	27.616	41.086	38.369	42.031	46.481
Grants to the Republic of the Philippines	0.353	0.454	0.339	0.562	0.268	0.666	0.594	0.571	0.754	0.500
Medical care cost recovery	...	...	...	...	...	...	...	...	38.250	57.750
Assistance for health manpower training institutions	17.467	5.252	2.171	0.986	0.191	(0.007)	0.002	...	...	...
Construction & operating garage & parking facilities	0.176	...	...	...	...	...	...	...	...	...
Special therapeutic & rehabilitation activities	(0.010)	(0.000)	(0.112)	0.059	0.017	(0.051)	(0.196)	(0.347)	(0.250)	(0.250)
Total medical care	7,843.633	8,385.452	9,025.147	9,349.623	9,761.660	10,311.327	10,786.059	11,620.789	12,443.106	13,404.404

BUDGET OUTLAYS

1983-1992

(dollars in millions)

Appropriation/Fund Account	ACTUALS								ESTIMATES	
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Construction programs:										
Construction, major projects	337.782	352.805	397.966	389.509	376.207	483.045	524.992	509.952	411.811	457.839
Construction, minor projects	90.872	122.663	123.512	132.877	158.571	158.305	161.322	142.706	103.761	107.153
Parking garage revolving fund	...	...	...	...	2.378	8.106	16.704	8.500	27.975	27.576
Nursing home revolving fund	...	...	...	...	...	...	...	(0.074)	(0.120)	...
Total construction programs	428.654	475.468	521.478	522.386	537.156	649.456	703.018	661.084	543.377	592.568
General operating expenses and misc:										
General operating expenses	673.710	704.093	724.068	729.522	720.224	780.581	766.461	810.725	890.637	799.375
Grants for construction of State veterans cemeteries	1.593	0.849	0.534	3.710	1.185	0.378	2.413	3.021	6.500	6.500
Supply fund	(22.376)	(9.477)	(14.543)	17.460	(23.338)	20.763	(25.262)	8.901	...	...
Canteen service revolving fund	(5.333)	1.224	(11.027)	1.579	(3.246)	(19.160)	14.839	(7.915)	(3.613)	(3.906)
Office of Inspector General	...	...	...	...	...	...	...	19.536	24.644	29.602
Total GOE and miscellaneous	647.594	696.689	699.032	752.271	694.825	782.554	758.451	834.268	918.168	831.571
Total appropriations (adjusted)	24,531.327	25,228.521	25,921.133	26,168.453	26,556.978	28,931.823	29,610.673	28,568.250	30,598.390	31,905.682
Proposed legislation:									412.288	1,081.888
Compensation	...	...	...	...	...	...	...	...	...	(1.600)
Pensions	...	...	...	...	...	...	...	...	...	(12.300)
Readjustment benefits	...	...	...	...	...	...	...	...	...	(0.008)
Education loan fund program account	...	...	...	...	...	...	...	...	..	(101.700)
Loan guaranty revolving fund	...	...	...	...	...	...	...	...	...	(4.079)
Loan guaranty program account	...	...	...	...	...	...	...	...	...	(13.800)
Guaranty and indemnity fund	...	...	...	...	...	...	...	...	...	(192.766)
Guaranty and indemnity program account	...	...	...	...	...	...	...	...	...	5.800
Direct loan revolving fund	...	...	...	...	...	...	...	...	...	(1.377)
Direct loan program account	...	...	...	...	...	...	...	...	...	(26.606)
Medical care	...	...	...	...	...	...	...	...	...	0.637
Medical administration and miscellaneous operating expenses	...	...	...	...	...	...	...	...	...	(125.000)
Receipts: Fees and other charges for medical services	...	...	...	...	...	...	...	...	412.288	609.089
Total proposed legislation	...	...	...	...	...	...	...	...	(639.300)	(699.300)
DEDUCT: Proprietary receipts from the public	(77.510)	(59.070)	...	(113.253)	(228.546)	(338.924)	(430.269)	(399.075)	30,371.386	31,815.471
Total federal funds	24,453.817	25,169.451	25,921.133	26,055.200	26,328.432	28,592.899	29,180.404	28,169.175		
Trust funds:										
Post-Vietnam era veterans education account	140.329	155.996	182.458	225.251	283.607	303.305	287.911	212.472	201.207	169.078
General post fund	9.449	10.479	11.400	11.844	20.617	16.700	24.525	24.075	23.500	24.000
National service life insurance	890.978	922.003	955.965	1,037.408	1,034.060	1,096.293	1,173.524	1,222.803	1,304.160	1,323.350
U.S. Government life insurance	59.851	51.879	45.698	44.739	40.325	37.476	34.150	31.710	31.710	28.600

BUDGET OUTLAYS

1983-1992

(dollars in millions)

	ACTUALS								ESTIMATES	
Appropriation/Fund Account	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Veterans special life insurance	(56.486)	(57.992)	(66.823)	(72.156)	(78.213)	(75.900)	(64.883)	(64.626)	(53.680)	(49.600)
National cemetery gift fund	...	...	...	...	...	...	...	...	0.140	0.050
Total trust funds (gross)	1,044.071	1,082.365	1,128.698	1,247.086	1,300.396	1,377.874	1,455.227	1,426.434	1,504.037	1,495.478
DEDUCT: Proprietary receipts from the public	(605.105)	(617.028)	(636.704)	(650.226)	(588.813)	(515.598)	(460.352)	(428.323)	(420.347)	(382.650)
Total trust funds (net)	438.966	465.337	491.994	596.860	711.583	862.276	994.875	998.111	1,083.690	1,112.828
DEDUCT: Intragovernmental transactions	(65.911)	(51.008)	(80.412)	(116.350)	(87.977)	(184.197)	(134.598)	(168.987)	(117.054)	(113.515)
Total Department of Veterans Affairs	$24,826.872	$25,583.780	$26,332.715	$26,535.710	$26,952.038	$29,270.978	$30,040.681	$28,998.299	$31,338.022	$32,814.784